

# WAKE-UP CALL

FOR  
KENTUCKY



OUT OF CRISIS  
INTO ACTION

THE FIRST REPORT OF THE  
GOVERNOR'S COMMISSION  
ON QUALITY AND EFFICIENCY

W

e, the undersigned members of the Governor's Commission

Efficiency, believe that this report reflects a major step toward achieving our vision of government surpassing our expectations.

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TO THE GOVERNOR, GENERAL ASSEMBLY AND CITIZENS  
OF THE COMMONWEALTH OF KENTUCKY

The Commission on Quality and Efficiency has completed its assignment, and now proudly delivers this report to you. All 55 commissioners believe that *Wake-Up Call* provides a framework for action which can lead our government forward toward a more productive 21st century.

As Chairman and on behalf of the Commissioners, I want to acknowledge those who helped construct this framework. Our six-month process involved state employees who continuously demonstrated their commitment to improving State Government. They were joined by analysts from the private sector, who were generously loaned by our leading corporate citizens. Working together in a collaborative spirit, they built this report and it will stand as a powerful example of results-oriented teamwork in action.

A special thanks goes to John Cubine, Deputy Secretary for Finance and Administration, whose intellect, humor and driving determination guided us every step of the way.

*Wake-Up Call* is for the employees who want better, the citizen-customers who deserve better, and the taxpayers who demand better. Our message to the helmsmen, those responsible at every level — executive, legislative and administrative — is this: There are too many barnacles on the boat, and it is listing. Our conclusion is simple: We must change the way we manage our government.

Just as battleships don't make 90 degree turns, these changes won't occur overnight. But as the ancient Chinese proverb tells us, "a journey of a thousand miles begins with a single step."

Likewise, this report represents a first step. We offer it as a catalyst for dialog, for action and for government as it should be.

Sincerely,



James P. Gray, II  
Chairman

# TABLE OF CONTENTS

WAKE-UP CALL FOR KENTUCKY	5
A DEFINING MOMENT IN KENTUCKY'S HISTORY	7
A STRATEGY FOR THE FUTURE	17
EMPOWER OUR EMPLOYEES	20
THINK AND PLAN FOR RESULTS	33
CONNECT GOVERNMENT WITH CUSTOMERS	45
INVEST IN OUR FUTURE	55
THE PATH TO THE FUTURE	63
RECOMMENDATIONS	67
MINORITY REPORTS	86
COMMISSION MEMBERS	89
ACKNOWLEDGEMENTS	91

*"We are not changing government.  
The times are changing government."*

Jim Gray, Chairman  
Governor's Commission on  
Quality & Efficiency

# WAKE-UP CALL FOR KENTUCKY

Kentuckians are proud to call Kentucky "home." We cherish our land, from lush meadows to rolling foothills, rocky knobs to rugged mountains. We value our traditions: the independent pioneer spirit, hardworking ethic and deep sense of loyalty. We prize our communities, the warmth of our neighbors, the high quality of life here. Frankly, we can't imagine raising children anywhere else.

But conditions are changing in Kentucky, as in the rest of the nation and the world. Advances in technology are quickly expanding our boundaries . . . traditional sources of the economy are declining . . . jobs are becoming increasingly complex, requiring greater knowledge and new skills . . . employees are demanding more satisfaction from their work . . . citizens, frustrated by government red tape and waste, are unwilling to pay more taxes.

In this environment, standing still means falling behind. The old ways of doing things are simply not sufficient to position Kentucky to meet the challenges ahead. If we want future generations to share our feelings for the Commonwealth, we have to wake up now.

Recognizing this need, Governor Brereton C. Jones established the Governor's Commission on Quality and Efficiency to review state government operations and chart a course for Kentucky. Opportunities like this come along

rarely, and we, the 55 members of the Commission, have taken our responsibility to heart. This report represents our sincere efforts to transcend political partisanship, geographic regions and other divisions to consider the best interests of the state.

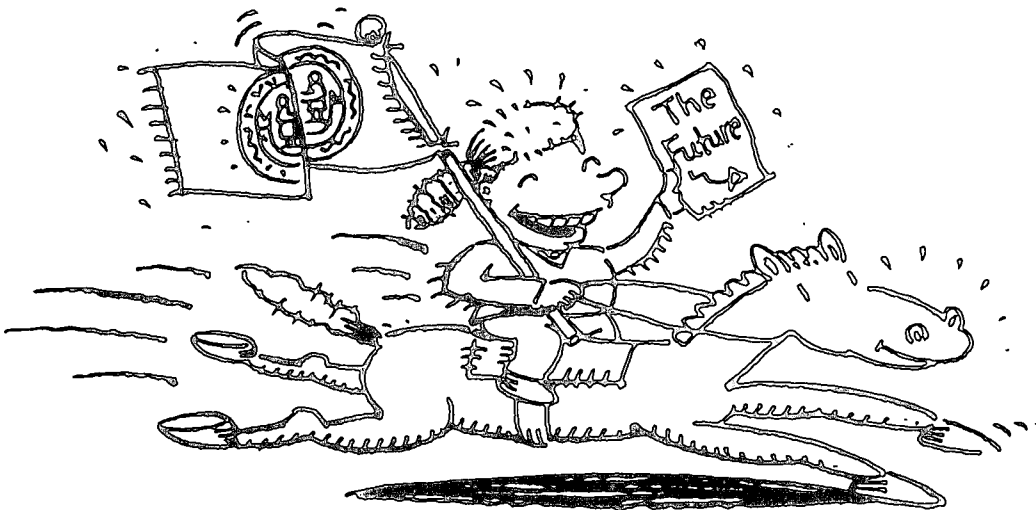
Our conclusion, after six months of intense study, discussion and debate, is that Kentucky is poised at a turning point in its history. Powerful forces are pushing the state toward a precipice. It can sink to the bottom or soar to the top, depending on what we do today.

This Commission believes that Kentucky can become one of the most progressive states in the nation. We have a vision of a Kentucky where:

- *Our children are prepared to reach their highest aspirations*
- *Our people can find good jobs and lead productive lives*
- *Our government surpasses our expectations*
- *Our citizens are proud of the state's accomplishments and excited about its future*

It won't be easy, but we can do it — if Kentuckians are willing to embrace change. Just a few generations ago our ancestors tackled the unknown and braved the frontier to build a better life for their families. Now it is our turn. And there is no better time to begin than the present.

# A DEFINING MOMENT IN KENTUCKY'S HISTORY



**W**HAT MAKES THIS MOMENT SO CRITICAL FOR KENTUCKY? On the one hand, the state is facing serious problems that must be resolved to create the future its citizens desire and deserve. Among the most alarming trends:

- *Population growth has slowed to less than one percent, reflected in Kentucky's loss of a seat in the U.S. House of Representatives in 1993.*
- *Kentucky still ranks 49th in education, with only 54.5 percent of the graduates of the class of 1990 going on to college.*
- *Our best and brightest students cannot find the jobs for which they are qualified, resulting in a brain drain.*



- *The population is aging, which means that there are fewer youth to work and pay taxes and more senior citizens requiring costly services.*
- *The state's diversity, in terms of geography, economy and population, has made it difficult to create a unified vision.*

On the other hand, Kentucky has all the resources we need to transform government services and meet people's needs. With the political will to make the tough decisions necessary to prepare for the 21st century, the state is as well positioned as any in the country.

Which will it be? Will we accept conditions as they are or demand better? Will we give up in despair or live up to our potential? Will we protect our own interests or work together for the common good? The future is ours to decide.

### *STANDING AT A PRECIPICE* LIMITED RESOURCES TO MEET PRESSING NEEDS

Like other states, Kentucky is facing a structural problem with the foundation of government — the budget. No matter how you look at it, the numbers don't add up. As a result, shortfalls have become a recurring phenomenon in recent years, taking place in nine of the last 12 budget cycles.

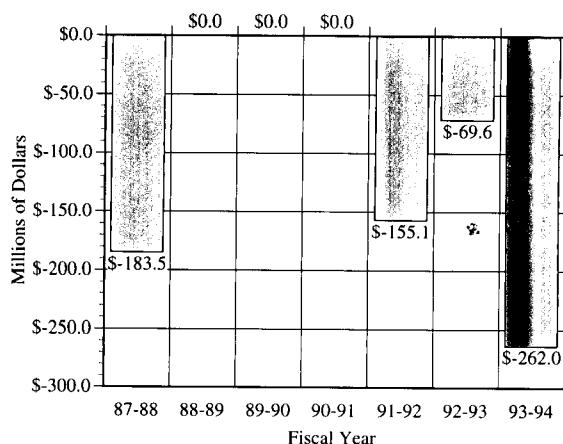
Recurring budget shortfalls reflect a "structural imbalance" in the system. This means that the lines of revenues and expenditures have crossed and will not be realigned even if the economy rebounds. In other words, if we continue to operate the Commonwealth of Kentucky as we have in the past, we will not have the funds we need for education, health care, public safety, essential infrastructure and other basic services.

For more than a decade, Kentucky has systematically overestimated its ability to pay for programs. Year after year, revenue projections overshoot actual revenues, leading to shortfalls and mid-course adjustments to the enacted budget.

Nothing is more disruptive to good plans and intentions than stepping backwards every few months to retrench or downsize — often before goals are reached. This approach makes it impossible to move forward on a set course of action, even when there is a strong consensus, as with the Kentucky Education Reform Act of 1990.

In fiscal year 1994, for example, the enacted budget assumed revenues of roughly \$4.9 billion, but by mid-1993, it became clear that the income would amount to only \$4.6 billion — leaving state government with a \$300 million potential deficit. The Jones administration found a way to balance the budget and preserve

#### SHORTFALLS HAVE OCCURRED IN 4 OF THE LAST 7 YEARS



essential services without layoffs, reducing the workforce through attrition, increasing revenues (on a non-recurring basis) and cutting the structural imbalance in half.

Even these substantial cutbacks are insufficient to guarantee that the state will have enough money to meet current mandates, let alone emerging initiatives. And budget analysts expect the 1994 General Assembly to face another austere fiscal situation.

How did we get in this situation? Kentucky, like other states, is feeling the effects of three national trends:

- *Slower growth in the economy*
- *Increasing demand for services*
- *Lack of confidence in government and unwillingness to pay more taxes, especially in light of the major tax increase in 1990*

Although the state is not totally responsible for these conditions, the results are ours to deal with.

### Slower growth in revenues

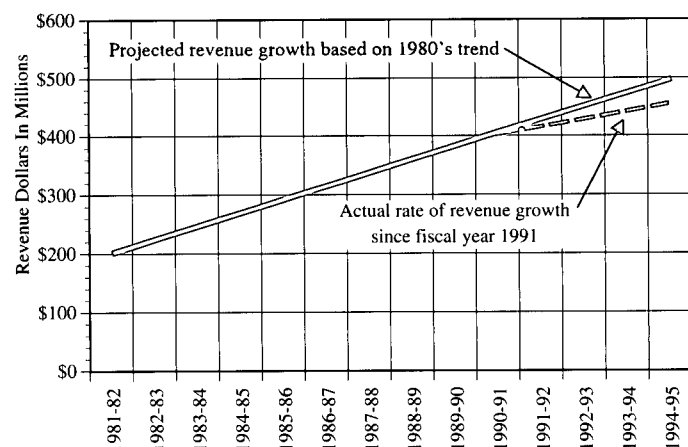
The bottomless government reserves of the 1970s are history. Kentucky's revenues are growing, but growing slowly — and projections indicate little change on the horizon.

First, the income streams that feed the economy are slowing, wavering or actually decreasing. Kentucky's tax base has traditionally been in tobacco, horses, coal and manufacturing, all of which are on the decline or are threatened. Tobacco is declining due to obvious health concerns, while environmental concerns about high sulfur coal have eroded the state's coal industry. The shift from manufacturing to nonmanufacturing jobs, which reflects a new era in the history of the world economy, is expected to reduce the growth in manufacturing jobs substantially.

At the same time, the business community — the source of our economy — is doing more with less in order to compete in the global market. Kentucky's corporate taxpayers are becoming leaner, which means there are fewer dollars available for the state.

Finally, the state has reached its taxing limits. In connection with the Kentucky Education Reform Act of 1990, voters agreed to the single largest tax increase in the history of the Commonwealth. Although Kentucky's taxes remain among the lowest in the nation — the state is 45th with per capita state and local taxes of \$1,496 compared to a national average of \$2,017 — taxpayers are not

### KENTUCKY'S REVENUES ARE GROWING BUT GROWING SLOWLY



Source: 1992-1994 Revenue Estimates

Commonwealth of Kentucky Fiscal Year 1992-1994 Budget

prepared to be taxed again soon.

To meet increasing demands for education, health care reform, public safety, essential infrastructure and a host of other services, the state is going to have to find more money, and the money is going to have to come from inside the system. The only way we can continue to fund needed programs is to operate a more efficient and effective state government.

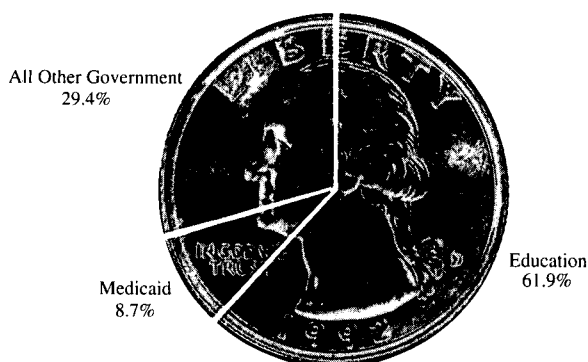
### Increasing demand for services

On the expense side of the ledger, Kentucky is facing the same problem as other states: increased demands upon the system. Programs mandated by the federal government and the General Assembly continue to expand, requiring additional personnel and support but often providing no new funding. Existing programs, warranted or not, are difficult or impossible to cut.

Medicaid, the fastest growing segment of the budget, is out of control.

The program has grown from less than one percent in 1966 to ten percent of the General Fund budget in 1994, and is already "crowding-out" other vital human service programs. In fact, budget analysts caution that if Medicaid costs continue to grow as they have in the past four years, in 16 years, they will consume every dollar in the General Fund.

#### MEDICAID AND EDUCATION ARE CONSUMING 70.6% OF THE 1993-1994 KENTUCKY BUDGET



Source: Governor's Office for Policy and Management

Elementary and secondary education still consumes the largest share of state expenditures. Funding for the basic program alone, Support Educational Excellence in Kentucky (SEEK), amounts to \$1.8 billion, or roughly 48 percent of the General Fund — and that's without adding anything for gifted and talented programs, retirement and health benefits and other educa-

tion initiatives. Even small changes on such a large base will result in a huge sum. Meanwhile, the state has not been able to live up to its commitment to the citizens and children of Kentucky by fully funding current elements of the Kentucky Education Reform Act of 1990, let alone those to be phased in.

The state's corrections system is experiencing a costly increase in demand, based both on increasing crime and citizens' desires for stiffer sentences, as reflected in the Persistent Felony Offender statute of 1975. While Kentucky's population has remained stable over the last 12 years, the number of inmates in prisons has grown from 3,000 to 10,000. Housing each of these prisoners costs the state over \$13,000 a year.

The fact is, government cannot continue to spend as it has in the past. Just as in a household with reduced income, we have to set our priorities, plan our expenses, tighten our belts and determine what we can do without.

### Lack of confidence in government

The perception of Kentucky government is no different than that of the

federal government or any other government: government historically has been viewed as a large organization that wastes a lot of money. Citizens consider the system broken, and have no confidence in government's ability to deliver services at reasonable costs. According to a 1993 national poll, 75 percent of citizens believe that government waste accounts for 30-50 percent of its expenditures.

Recent problems have added fuel to the fire. Promises to relieve tax pressures have not been fulfilled. In the 1987 gubernatorial campaign, the state lottery was sold as a means to fund education. Though the lottery has generated annual revenues of \$100 million — good for a state of this size — it was quickly apparent that it would not begin to cover educational needs. So in 1990, Kentuckians agreed to the largest tax increase in the history of the Commonwealth to fund elementary and secondary educational reforms.

But in the biennium immediately following, the state experienced a budget shortfall once again. Taxpayers are perplexed: how could the state raise taxes and still come out short? They are not interested in the technicalities of revenue projections and results; they want assurance that their tax dollars are being spent wisely.

The state has taken some steps to correct these problems, but an underlying credibility issue remains. Continuing shortfalls and cutbacks are damaging to employees and confounding to the public. They want government to look inward first — and that is exactly what the Governor's Commission on Quality and Efficiency is about.

### *SOARING TO THE PEAK* AN OPPORTUNITY TO DO THINGS DIFFERENTLY

The dollars are limited; our potential is not. A number of factors are converging to make this a favorable moment for Kentucky to overcome the limitations of the past. In fact, the timing couldn't be better for us to tackle the future.

As the Indians who gave Kentucky its name knew, this is the "Land of Opportunity." Our state is blessed with:

- *A central geographic location, within a day's drive of three-quarters of the nation's population*
- *More miles of navigable waterways than any state except Alaska*
- *Rich resources, including fertile farmland, coal, oil and gas*
- *Natural beauty of the Appalachian Mountains, Bluegrass country and Land Between the Lakes*
- *A stable economy, even through the national recession*
- *Progressive corporate citizens, willing to work in partnership with government*
- *Capable, hard working people with a deep loyalty and love for the state*

Building on this base, profound forces in the nation and the state are pushing Kentucky toward a new receptivity to change.

## Government reinvention

A wave of government reform is sweeping the country spurred on by David Osborne and Ted Gaebler's best-selling *Reinventing Government*. From the federal level to state and local jurisdictions, progressive governments are seeking to dismantle rigid bureaucratic systems and improve employees' ability to provide quality services to citizens.

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*"If we have done our job well, the next generation of changes will be built on the foundation we have laid with this report. We are merely initial planners . . ."*

1993 National Performance Review

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The Governor's Commission on Quality and Efficiency debated recommendations included in this report at a time when government reinvention was front page news, just days after President Clinton and Vice President Gore released the *National Performance Review*. The themes outlined in their report — cut red tape, put customers first, empower employees — parallel our own.

As the first state report to be presented since the release of the National Performance Review, Kentucky's effort builds on the experience of other governments, notably North Carolina, Oregon and Texas, and creates a model for the many states and local jurisdictions seeking to embark on similar journeys. Judging from the high level of interest the Commission has received from across the country, the agenda set forth in this report will influence not only Kentucky, but other states looking for a successful model for change.

## Management revolution

In the 1980s, increasing competition, new technologies and the changing demands of employees and customers forced the private sector to find new ways of doing business. Now it's time for government to do the same.

Between the 1930s and 1960s, the Hatch Act required states seeking federal funds to adopt the federal civil service law, called the merit system in Kentucky. This law was based on management thinking of the time which was geared to controlling and centralizing decision-making and monitoring employees to avoid error or abuse. Since then, companies using a rule-driven management approach have generally abandoned it; many who didn't, failed and went out of business. Government, however, is still clinging to the old model.

When American businesses reexamined their operations, they learned that people are more aware of the world around them and will no longer tolerate the working conditions of the past. They found that employees can do their work and do it well, if they are trusted, supported and given the proper resources. Ultimately, employees want to do a good job, and they want it even more than salary increases, benefit improvements or better working conditions.

Government employees have the same motivations. The only difference is that government doesn't go out of business when profits dry up. Until other pressures force the state to do things differently, it will continue to travel the same cumbersome, demoralizing and inefficient path.

## Educational reform

The Kentucky Education Reform Act (KERA) demonstrates what the Commonwealth can do when citizens and political leaders are willing to confront tough issues. This historic reform act, seen by many as the most significant in the nation, was signed into law in 1990 to be phased in by 1996.

As a result of a far-reaching Kentucky Supreme Court decision, the educational establishment, enlightened leadership of the private sector, elected officials and the public created KERA to improve the educational performance of the state's schools. All constituencies agreed that the old system was not providing the quality of education required by a modern society and that without that base, the state would not be able to develop economically — or provide jobs to retain our most talented students.

What makes KERA unique is its comprehensiveness. The landmark act provides for both educational reform and funding for such reform. Many states are looking to Kentucky's innovative strategies as a model for their own reforms, particularly in setting up new governance structures that push decision-making to the local level, implementing performance measures tied to funding allocations, developing school-based family centers and using technology to expand local resources. KERA holds the hope for our children's future — if the state has the money to fund it.

## Industrial revitalization

Although Kentucky's traditional industries have been declining, the state had the foresight to develop an aggressive economic development plan that has attracted new industry and blunted the effects of the recession.

Many people are surprised to find that Kentucky boasts the largest heavy truck plant in the world — the Ford plant in Louisville . . . the Toyota plant in Georgetown, which began operation in 1986 and is already recognized as the premier auto plant in America . . . a major United Parcel Service hub in Louisville . . . a GMC plant in Bowling Green that produces all Corvettes in the country . . . and major new plants and expansions are being announced as we go to press.

Some leaders predict that in 20 years, more autos will be manufactured in the central mid-south region between Louisville and Nashville than in Detroit. Kentucky can take some credit for this development, both in providing attractive incentives and the right environment to make it happen. And Kentucky's government is continuing to look forward, taking the initiative to build a communications backbone for the integrated delivery of voice, data and video communications our future will demand.

## Political reform

During recent years, the Governor, General Assembly and people of Kentucky have engaged in efforts to permanently change the way government does business. In 1992, the Commonwealth made some important corrections to the political system:

- *Enacting a gubernatorial succession amendment which will allow future governors to succeed themselves. This gives Kentucky the opportunity for continuity in policy and the ability to plan and sustain initiatives, ensuring greater accountability at the highest levels of government.*
- *Passing significant campaign finance reform, which calls for public financing of the next governor's race to create a level playing field for all candidates.*
- *Instituting ethics reform, demanding major disclosure of assets for all public servants for the first time in history.*

## **Waking up to embrace the future**

The state's vision was evident once more in the creation of the Governor's Commission on Quality and Efficiency. Kentucky instituted its own efficiency study of government at the same time President Clinton undertook the National Performance Review, the National Commission on the State and Local Public Service released its first report and the National Governors' Association published its *Action Agenda to Redesign State Government*. Although we didn't plan it that way, the timing gives us an extra boost.

Perhaps we are fortunate that the state's fiscal crisis forced us into this position. Because now that we are here, Kentucky has the chance to change — and emerge stronger than ever before.

### *IMPETUS FOR CHANGE*

### THE GOVERNOR'S COMMISSION ON QUALITY AND EFFICIENCY

Change is unpredictable, disturbing and just plain hard work. No wonder institutions — like individuals — resist change, even when it's in their own best interest.

But if Kentucky is to use its rich resources to meet the challenges of the future, government must make fundamental changes in the way it does business. Understanding the need for an outside impetus, Governor Brereton Jones created an independent body, the Governor's Commission on Quality and Efficiency, in March 1993. The Commission was charged to:

- *Find cost savings for the citizens of Kentucky*
- *Free resources for priority programs and emerging needs*
- *Enable public employees to deliver quality services to citizens*
- *Implement long-term strategies for success*
- *Maximize the return on every tax dollar*

From the beginning, the Governor called for a partnership of those who work in government and are familiar with its operation and those in the private sector who bring a different perspective to the state's problems. The membership of the Commission reflects this intent: our 31 private sector members represent the best of corporate Kentucky, while our 24 public members include agency heads, career civil service managers and employees.

## GOVERNOR'S COMMISSION ON QUALITY & EFFICIENCY

### VISION

- A government surpassing our expectations

### MISSION

- Advocate strategic steps to ensure modern management, quality and efficiency in government operations

### GOALS

- Promote quality systems encouraging employee involvement
- Encourage empowerment through a customer service commitment
- Improve taxpayer value
- Expect measurable results

### GUIDING PRINCIPLES

We are committed to:

- Open-mindedness to new ideas
- Integrity of the process
- Respect for contending positions
- Avoidance of parochial interests

A banker from Beattyville . . . a teacher at Henderson Community College . . . the secretary of Education, Arts and Humanities Cabinet . . . an auto dealer from Bowling Green . . . a former Governor . . . a former president of the Coalition of State Employees . . . the director of the state Commission on Women . . . a CEO of a major international corporation . . . a labor representative . . . the publisher of the *Paducah Sun* . . . and many, many others worked together to make this effort a success. Under the leadership of Chairman James P. Gray II, chief operating officer of Gray Construction in Lexington, we set about the process of rethinking state government operations.

The Commission's efforts were supported by KPMG Peat Marwick Government Services, a national firm with extensive experience, including similar studies for North Carolina, Maryland and the District of Columbia. To make Kentucky's dollars stretch even further, 42 loaned analysts from state government and the private sector were trained to conduct field work, gather and analyze data and prepare working papers for Commission review. The result was a true partnership of professional consultants, corporate executives and public employees.

We were given broad direction in our task. The only parameters were to omit those areas that would duplicate recent or ongoing legislative action: the Kentucky Education Reform Act, the Council on Higher Education, health care reform and the recently restructured Economic Development Cabinet.

To focus our efforts, Commission members and teams of analysts worked in seven committees targeting major issues of concern: personnel management, fiscal management, government operations, workforce training, human services, public safety and information technology. Working intensely from late March to September 1993, the committees jointly:

- *Conducted over 350 interviews*
- *Made more than 70 site visits*



- *Held six regional forums*
- *Surveyed 42,000 employees, receiving 13,000 responses — 7,000 with written comments*
- *Analyzed data, including comparisons with other states*
- *Developed benchmarks using best practices from other states and the private sector*
- *Reported findings in 79 issue papers amounting to over 700 pages*
- *Endorsed more than 270 recommendations for change*

This report represents a summary of our work. We won't speak in the language of bureaucrats, consultants or accountants, but use our voices to carry on the conversation of the Commission — a group of citizens who have attempted to help the state solve its problems — with the Governor, General Assembly and citizens of Kentucky.

In the interest of making our findings and recommendations accessible and understandable, the Commission has highlighted major areas of concern in this document. Just because you don't see a recommendation here doesn't mean it doesn't exist or that it's not important. We urge you to consult our issue papers, on file at the state Department for Libraries and Archives, for additional detail.

The Commission's work is ending; now it's in your hands. Help us build the partnership the Commission has begun. Rekindle the pioneer spirit that has made our state great. Together, we can build the Kentucky our children — and theirs — will cherish.

*"I've been involved in similar efforts several times in my life, but this is the most comprehensive, dedicated, informed effort that I've ever been a party to."*

Governor Edward T. Breathitt

# A STRATEGY FOR THE FUTURE

The Governor's Commission on Quality and Efficiency listened to the voices of Kentucky: our elected leaders, public servants, corporate executives and citizens. What we heard was, "The system is broken."

Even if it is not broken, the signs of stress are apparent. After months of investigating state government policies and practices, the Commission was left wondering:

- *How can we expect elected officials to make good decisions when they don't have the information they need to evaluate the success or failure of current programs and services?*
- *How can we expect an administration to carry through its initiatives when budget shortfalls and cutbacks disrupt even the best plans?*
- *How can we expect employees to be customer-sensitive when it takes 110 steps to order a computer or 14 signatures to enroll in a \$70 training program?*
- *How can we expect citizens to support government when the state raises hundreds of millions of dollars in taxes one year and still comes up hundreds of millions short the next?*

- *How can we expect Kentucky to meet the challenges of the 21st century if we don't start doing something differently now?*

There is no doubt that Kentucky has some serious challenges ahead of it, but this Commission believes the state **can** fix its problems. It **can** manage its resources in a wise and frugal way. It **can** provide quality services that meet people's needs. It **can** create a better future for this generation and the next. And it must.

The Commission's recommendations, outlined in the remainder of this report, give state leaders a plan for how to go about making these changes. We realize it won't be easy. Some recommendations will require the political courage to tackle sacred cows and take unpopular actions. Some will force managers to let go of the reins and push authority down through the bureaucracy. Some will demand that employees think and operate in new and unfamiliar ways. Others will require Kentuckians to move beyond their own special interests to consider the greater good.

#### SUMMARY OF FIVE-YEAR NET SAVINGS

Empower Our Employees	\$288.4
Think and Plan for Results	401.0
Connect Government to People	216.8
Invest in Our Future	(.3)
<b>Total</b>	<b>\$905.9</b>

All in all, the Governor's Commission on Quality and Efficiency adopted over 270 recommendations to address the state's short-term fiscal problems and its long-term needs. Many are summarized in this report to illustrate the new directions the Commission proposes for the state. Others, no less important, are explained in depth in our issue papers listed in the appendix.

If all of the Commission's recommendations were adopted, the state could generate savings of \$905.9 million over a period of five years.

Although we don't expect all of our recommendations to be adopted, we do urge action on each of the major fronts we have identified:

- *Empower our employees*
- *Think and plan for results*
- *Connect government to customers*
- *Invest in our future*

These four areas, explored in the following chapters, are closely intertwined in a package of government reinvention. We urge the state's decision-makers to consider them as a whole. Understanding the separate recommendations is easier if viewed as a giant puzzle. Each recommendation is a piece of the puzzle that is important but has a limited use by itself. Together, the pieces form a coherent, sensible picture.

If there is one thing that the Commission learned from our review of the state, it's that government cannot be separated from its employees and the services they provide. The people doing their jobs are the ones who know best how to improve them. The way the state operates today is to restrict employees' ability to get things done.

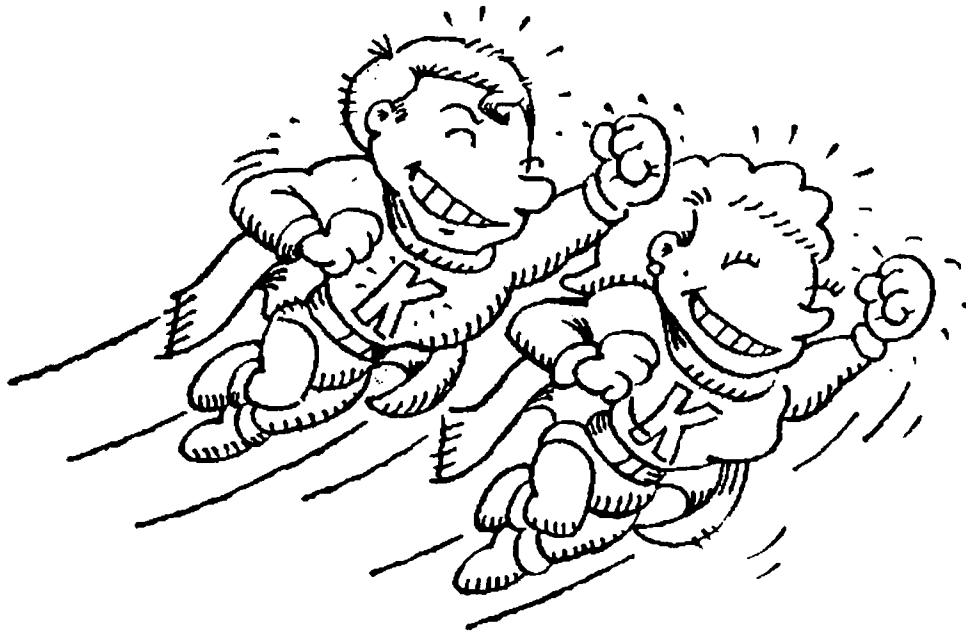
So, to truly change the system, we must take a lesson from Kentucky's most successful corporations and build trust with our employees. For this reason,

*the Commission does not endorse general layoffs as a method for downsizing government.*

Our commitment is to change the structure of government rather than slashing and burning our way through. Although it's a lot harder to change the system so that the workforce is leaner, smaller and more creative, we believe it's the only way to assure lasting change.

The centerpiece of this effort and the true test of its success is, ultimately, whether Kentucky learns to deliver government services in a new way. Our recommendations reflect the best efforts of the 55 public and private members of the Governor's Commission on Quality and Efficiency. For a good part of this year, we have engaged in intense conversation that has awakened us to the issues facing our government. Now let's continue the conversation and, together, rise to a new day.

# EMPOWER OUR EMPLOYEES



**H**OW CAN KENTUCKY'S GOVERNMENT RESPOND TO THE need for reform, lead change and position itself for the 21st Century? The Governor's Commission on Quality and Efficiency believes the first and most critical step is to empower the state's employees to do their jobs. Our state employees need a career service system that meets today's needs for:

- *Secure employment balanced with flexibility to manage*
- *Competitive wages, benefits and incentives*
- *Training and development*
- *Freedom to make decisions*
- *Defined measures that recognize success and correct failures*

State government is the largest employer in Kentucky. If we are to retain our best and brightest people, we need to follow the model of American business and change our personnel management system to support productive employees.

Imagine a state government where the employees, systems and technology are all working together for the same purpose . . . where quality is built into

work processes that are constantly refined for better service and speedy response . . . where employees have the freedom to express themselves and the responsibility to make decisions to support the goals of the agency . . . where individuals who don't contribute can't hide. Our vision is of a totally different *culture* or way of doing, thinking and feeling about the work government performs. It's a new attitude and a long way from what we have now.

*"Empowerment"*—freeing our employees to concentrate on excellence and continuously improving services while reducing costs — will be difficult in a system that con-

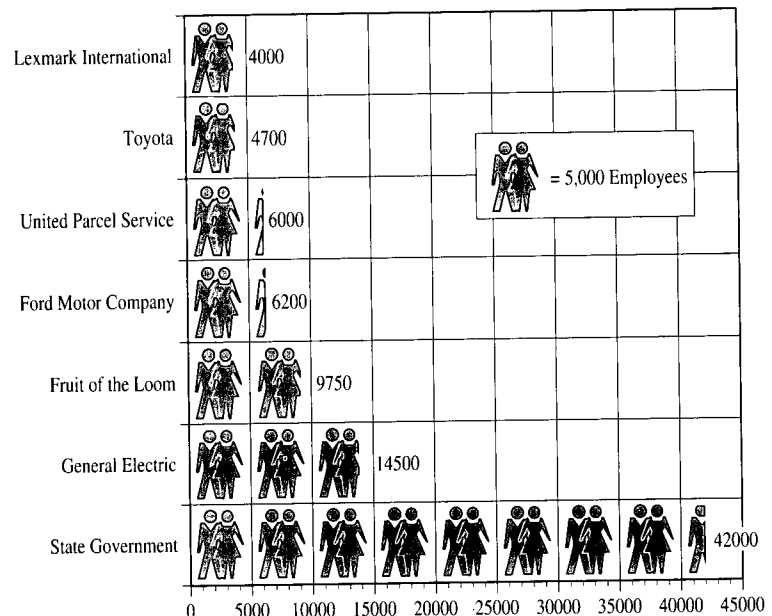
stantly elevates fear with threats to eliminate positions and feeds mistrust with inconsistently interpreted rules and regulations. Experience tells us that merit system rules stand in the way of doing what is right to get the best results. When the pressure is on to reduce the size of government, it is time to free our employees to do their best, not to paralyze them. Mutual commitment and trust are critical to encouraging employee motivation as we reduce our size and number of employees.

The Governor's Commission on Quality and Efficiency proposes replacing the state's outdated personnel model with a contemporary, open, collaborative management philosophy that values multi-skilled, innovative and involved partners in the operation of state government. We want our employees to reach their full potential and we will supply the workplace in which they can excel. In return, employees can expect that they will be held responsible for working smarter, increasing productivity, enhancing quality and reducing cost. This energy must be cultivated and supported through an improved personnel management system committed to employee security, recognition of excellence and increased training and development opportunities. At the same time, employees must immerse themselves in tasks to improve systems and skills, and must expect to be held accountable for their performance.

Governments across the country are adapting this proven management style to the public sector as described by David Osborne and Ted Gaebler in *Reinventing Government*. Now is the time for Kentucky to wake our slumbering government to the need for change and redesign government—its structure, processes and human resource practices—to meet our pressing needs.

The members of the Commission on Quality and Efficiency are strong

## STATE GOVERNMENT IS THE LARGEST EMPLOYER IN KENTUCKY



Source: Cabinet For Economic Development

proponents of the need to empower our employees and build a climate of mutual trust. Employee surveys also spoke loudly for change. Combined, their concerns directed the personnel team to study five major personnel management questions:

- 1. Is the Department of Personnel and its operating system designed to deliver needed programs and quality services in a timely, efficient way?*
- 2. Do human resource planning activities contribute to efficient workforce management?*
- 3. Do training and development programs encourage employee involvement and support continuous improvement?*
- 4. Are compensation and benefits competitive?*
- 5. Is there an effective employee relations program providing for fair, consistent, equitable treatment of all employees?*

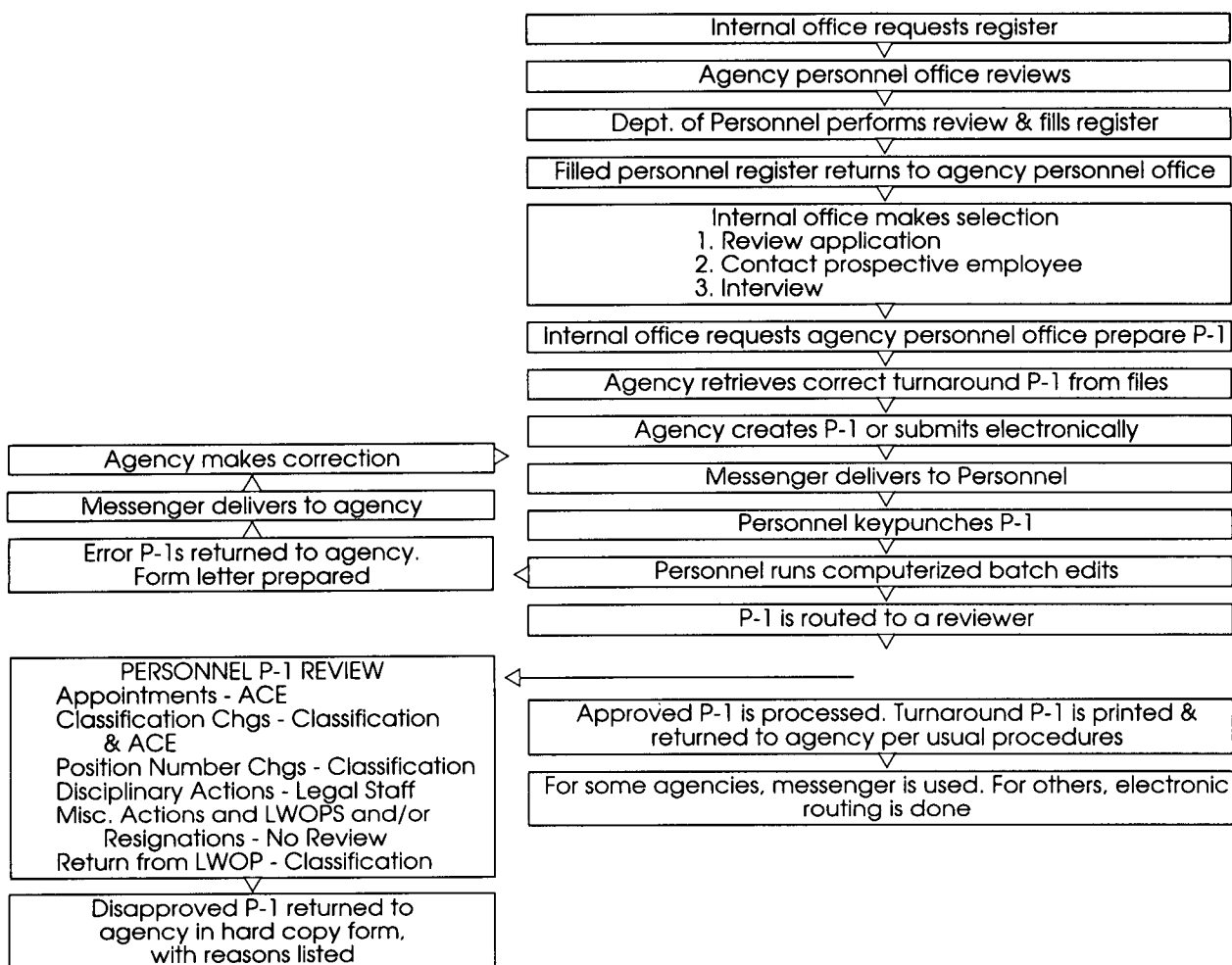
Over and over again, employees told us in surveys and public forums that they are frustrated by their poor reputation for quality and for the wasteful, inefficient systems they operate. They shared their beliefs that the current system does not deal with employees who are poor performers. Supervisors explained their perceptions that the Department of Personnel processes personnel actions sluggishly and that controls placed on hiring restrict their ability to manage and hamper their efforts to staff critical areas.

Human resource planning consists of enforcing "personnel caps" designed to restrict growth in the number of employees in state government which is a troublesome arrangement that creates major problems in filling critical positions during peak periods. Criticisms from survey responses also report that it takes an average of four to eight weeks to fill a social worker position; some reports claim a waiting period of up to five months. A typical action to hire involves a minimum of 16 steps. (See diagram on page 23)

It is alarming that the many survey responses reported idle employees who draw a paycheck without giving their employer a full day's work. One employee confesses, "My salary is approximately \$40,000 annually, and I am the most underworked and overpaid individual I know. I have nothing to do. I am a talented person with a professional license and an advanced degree. My talents are wasted." With these conditions, it is not surprising that the Commission recommends more effective, flexible resource management that includes streamlined processes.

The Commission on Quality and Efficiency believes we can capitalize on our employees' knowledge and skills — and we must, if we are to build the future we want. Let us act now at this critical juncture to respond to our employees' pleas for increased training, to their desire for basic freedom to do the job right the first time, for involvement in making decisions that affect services and for sharing in the reform of a personnel management system that affects their job security and livelihood. Then, let us assure that in return for these new freedoms, employees are held accountable. Everyone must know that success will be celebrated and that failure to achieve has consequences. Those who have gotten away with "doing nothing" for too long will greet a new day in a different environment if they are unwilling or unable to be productive.

## THE 16 STEPS TO HIRING AN EMPLOYEE IN THE CURRENT SYSTEM



## Build our personnel system for results

Authority for managing the state's human resources is distributed among the Department of Personnel (DOP), the Personnel Board and appointing authorities (the individuals assigned the personnel management role in each state agency). The Department of Personnel's mission is to administer the merit system and ensure compliance with regulations established under Kentucky Revised Statutes, Chapter 18A. Its mission is focused on detailed statutes and regulations and limited to processes and transactions.

The Personnel Board was originally intended to be an oversight agency, but many people feel it has evolved into a role of promulgating administrative regulations and micro-managing personnel operations. Our investigation indicated that the Board often writes rules that conflict with DOP regulations, and then becomes judge and jury over them.

Appointing authorities in each of the agencies frequently misunderstand or disagree with the way regulations are interpreted. With so many "cooks in the

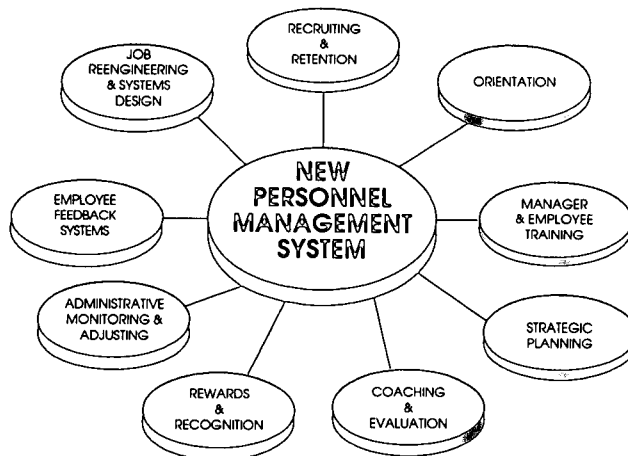


kitchen," it is difficult to ensure that employees are treated fairly and consistently. Management of today's executive branch workforce of more than 42,000 employees demands a much different approach.

Effective, affordable government requires a unified personnel management system that supports the quality and efficiency of state services through recruitment, development, engagement and retention of a competent, motivated workforce. Kentucky needs to redesign its personnel management system under a Cabinet for Personnel Management. This Cabinet will play the lead role for responding to changing workforce demands as well as be supportive of the needs and priorities of employees and managers. Goals for the new Cabinet must include provisions for:

- *Programs and services that meet the needs of users*
- *Planning for efficient workforce management*
- *Training and organizational development*
- *Competitive compensation and benefits*
- *Fair, consistent and equitable treatment of employees*

Change initiatives led by the new Cabinet for Personnel Management will have profound effects on our state employees. The Commission supports total employee involvement in the design and application of all of the strategies for empowering our employees, but we must have a lead agency to foster their implementation.



### Recommendations

The Commission recommends that Kentucky:

1 Create a Cabinet for Personnel Management that includes the Department of Personnel Services, the Department of Employee Relations and the Governmental Services Center. The managers of each of these areas shall be career service employees who possess credentials in their respective fields.

2 Charge the Department of Personnel Services within the new Cabinet with responsibilities for applicant counseling and exams, classification and compensation, benefits administration and administration and processing of payroll and employee records. Develop systems within the new Department of Personnel Services that:

- *Reduce paper processes, automate transactions and integrate duplicate personnel information management systems into one*
- *Simplify and expedite the review of transactions with delegation of approval authority to the employing agency whenever possible*
- *Improve communications between agencies and the Department*
- *Provide policy guidance*

3 Charge the new Department for Employee Relations with responsibilities for ensuring fair and equitable practices, proactive employee relations, effective employee communications, early conflict resolution and employee assistance services.

4 Shift the Governmental Services Center to the new Cabinet and charge it with responsibilities for training and education and for facilitation of strategic thinking and planning, quality management, assessment, job reengineering and retraining services.

5 Place agency personnel administrators and their staff under the auspices of the new Cabinet. Rotate Cabinet staff among agencies to broaden their knowledge of service and program needs, promoting a professional, knowledgeable human resources workforce and eliminating adversarial relationships between the Cabinet and state agencies.

6 Delegate the traditional rule-making functions over promotions, transfers, disciplinary actions, grievances, probation and reinstatement to the new Cabinet.

7 Downsize and control future growth in the number of employees without threat of layoffs. Utilize strategies such as:

- *Eliminating vacancies created by attrition*
- *Refilling only the most critical vacancies*
- *Reengineering vacancies to eliminate unnecessary work activities*
- *Redistributing only the essential work elements to other job holders*

## **Reinvent our merit system**

Modern management techniques suggest that we need to be driven more by our mission and less by our rules. Kentucky's 30-year-old Merit Law (KRS Chapter 18A) and its administrative regulations have become voluminous, confusing and rigid, limiting agencies' abilities to provide effective public service. They also hamper employees' freedom to be innovative and to be rewarded for taking on extra work. Lacking too, is effective communication and coordination with agencies about interpretations of law and consistency in enforcement.

Rules and laws that cover the merit system do little if they are not clearly written and consistently communicated. Because rules can't anticipate the future, those on the books do not always work. In a changing Kentucky, we cannot write rules fast enough to keep up with the times.

Kentucky's merit system law is too control-oriented with many rigid and often conflicting statutes and regulations. Because of the perception and convictions of some agencies that KRS Chapter 18A does not provide flexibility and timeliness in hiring staff, four additional personnel systems have evolved. This array of systems — with differing rules, lack of reciprocity and inequity in salaries — further complicates effective communication and coordination and inhibits both supervisors and employees from getting any job done efficiently.

Kentucky's personnel system needs to lead with one vision and speak with one voice. It needs to become a proactive partner in planning for, developing and rewarding all of its employees under one system. The Commission believes that the system requires an overhaul if we are to empower our employees, treat them fairly and hold them equally accountable.

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### TRANSFORMING OUR PERSONNEL MANAGEMENT SYSTEM

	<b>Old Merit System</b>	<b>Career Service System</b>
<b>Image</b>	Bureaucrat	Empowered Employee
<b>Hiring &amp; Discipline Process</b>	Complicated & Inconsistent	Streamlined & Equitable
<b>Classification</b>	Narrow & Specific	Broad & Flexible
<b>Compensation</b>	Tied to Classification	Competitive
<b>Training &amp; Development</b>	Fragmented	Coordinated
<b>Resource Management</b>	Layoffs, Personnel Caps	Attrition, Reengineering
<b>Performance Evaluation</b>	No Reward for Excellence	Pay for Performance
<b>Retirement</b>	Defined Benefit	Defined Contribution

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### Recommendations

The Commission recommends that Kentucky:

8 Create an ad hoc work team composed of an equal number of representatives from administration/management, the legislature, career employees and private sector human resource professionals to design the components of a new merit system and new personnel management policies and procedures. Produce clear, easy-to-read handbooks for new employees and managers as standards for administrative procedures and expectations.

9 Craft one career service system that provides security and the environment necessary to produce quality, efficiency, consistency and continuity of programs and services at reasonable cost. Include in the law establishing the new system a statement of ethics to prohibit political interference in the employment process and to establish legal consequences for individuals who violate the ethics rules.

10 Establish a thorough orientation framework for agencies to follow which will ensure that new employees have information that communicates the organization's and agency's direction and purpose.

11 Create an office for internal communication in the Cabinet for Personnel Management to: promote employee ideas for improvements in quality and efficiency and genuine cost reduction through a strengthened Employee Suggestion System; improve communication between agencies, staff and the Executive Personnel Council and enhance coordination between the Council and the new Cabinet's relationships with the legislature, the Governor's Office for Policy and Management and the Personnel Board.

## Reform classification and compensation systems

There are over 1,600 different classifications of jobs performed by more than 42,000 employees in state government. The classification system—which has not received a comprehensive review since 1982—needs to be flattened to achieve greater flexibility in assigning and reassigning staff where they are needed and in providing greater career mobility for employees. Many of our employees told us that to move up the career ladder, they must move into management positions. A new system of classification should allow for dual career tracks to provide for job proficiency in nonmanagement positions.

Our current classification system doesn't ensure that career managers have current training and other professional/academic requirements and skills to manage in a mission-driven working world. Many non-merit jobs demand levels of technical knowledge and managerial skill, yet our current job descriptions do not require even a minimum level of expertise to hold the position.

And, as we have found in so many places in this aged bureaucracy, there is unnecessary duplication. When the system doesn't suit our needs, government adds more layers to fix the problem. The problem is, we rarely delete anything. In the current system, additional "Senior," "Principal" and "Chief" layers for similar jobs are created to achieve salary increases. Duplication in titles and inconsistencies and inequities in classifications exist and need to be reformed.

Similarly, our salary schedule has too many grade levels and our employees get too little pay. Salaries for career service employees lag behind 15 southeastern states by nine percent. Salary increases — even cost of living adjustments — have not been granted to our state employees in five of the last 11 years. Work loads are unequally distributed and there is no way to adjust for changes caused by technology, declining numbers of employees and increasing demands on employees who stay in state government. Kentucky's classification and compensation systems are best described as:

- *Restrictive, detailed and excessive*
- *Unpredictable and noncompetitive*
- *Incompatible with cross-training and development of multi-skilled employees*

The old system no longer works. We're in the age of accountability now and the quality of our services relies on how well individuals perform, not on how well their jobs are defined. Kentucky can change the old system using a technique called "broad-banding" which decreases job classifications and increases salary ranges.

Basically, banding refers to the clustering of jobs into wide categories or groups of jobs for the purposes of managing employee career growth and administering pay. Pay bands are organized around job competencies that are at approximately the same organizational level. This allows managers more autonomy in setting pay rates. It also eliminates unnecessary distinctions between jobs so that it's easier to move people around in the organization. Broad-bands can help us break the focus on grades, in an effort to give people more cross-functional experience. With fewer vertical grades, employees will spend less time worrying about their promotion up the scale and more time broadening their skills to get

the job done. How long a person has worked in the same job is not as important as how well they produce results.

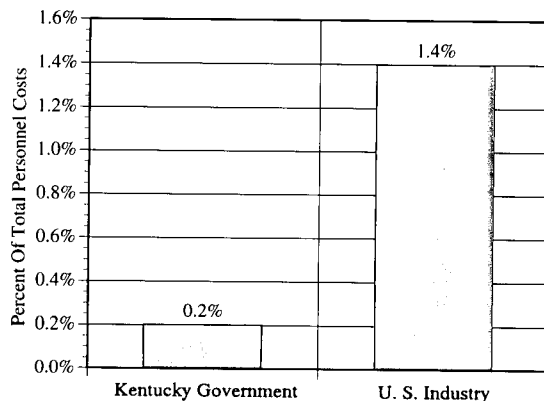
These changes represent an effort to stop looking at pay in isolation and to focus instead on how compensation fits into the big picture of organizational development and success. Our workforce is the key to getting results and we must support them with a pay plan based on our overall strategic plan for the Commonwealth.

### Recommendations

The Commission recommends that Kentucky:

- 12 Establish a new classification system to achieve greater flexibility in assigning and reassigning staff where they are needed and in providing greater career mobility for employees. Incorporate the concept of dual career tracks to allow for greater opportunities for professional growth without having to enter supervisory and management positions. Separate highly technical and professional jobs from the standard classification system. Reflect in the new descriptions dimensions of the knowledge required and the degree of problem-solving, complexity, planning, initiative, independent decision-making, supervision, leadership communication and accountability involved.
- 13 Establish a new broad-banded pay schedule to complement a flatter classification system and compensate employees for being multi-skilled. Build in compensation incentives for superior "group" as well as "individual" performance.
- 14 Implement a flexible promotional program across state government, reinstating the JOB Bank program.
- 15 Include positions up to the commissioner level in the new career service and require credentials in training and experience specific to the mission of the agency.

### KENTUCKY GOVERNMENT INVESTS LITTLE OF ITS TOTAL PERSONNEL COSTS IN TRAINING AND DEVELOPMENT



Source (State): Kentucky Object Code Expenditures Report, 1993  
Source (National): *Modernizing Maryland's Personnel System*,  
Maryland Commission on Efficiency and Economy  
December, 1992

### Provide training and development

Contemporary organizations committed to quality need a central reference point for organizational development and training needs. For the past 12 years, the Governmental Services Center (GSC) has provided that service to the extent that limited resources have allowed. Kentucky's investment in training, however, is far below the national average. Kentucky spends only 0.2 percent of personnel costs for training and tuition assistance compared to the national average of 1.4 percent.

Managers have not been required to

attend training in over ten years. Many are behind the times, resulting in inconsistent management practices, low employee involvement and increased discontent. Employees seeking to increase their skills for improved work performance in their current jobs, or those to which they aspire, may wait months for training. Others miss opportunities to upgrade their skills and learn new techniques and technology. In industry, success stories tell us that there is a return of \$33 in increased productivity for every dollar spent on training. Kentucky has been penny wise and pound foolish—and has shortchanged employees to boot.

As the need for multi-skilled employees grows, more employee training and development opportunities must exist. Training 42,000 employees in 120 counties throughout Kentucky will demand:

- *Orientation for incoming employees*
- *Alternatives to standard classroom delivery*
- *A record system to track employee training and development*
- *Communication about opportunities for training and advancement*
- *A mandate for executive-level, manager training*
- *Opportunities for employee development that target career goals*

Our lead agency for training and development, the Governmental Services Center, is organizationally separate from other human resource management functions in state government. It needs to be positioned in the new Cabinet.

GSC must also take the lead for developing and carrying out a system to support Kentucky's personnel system reinvention. Through job "reengineering" — a process of eliminating unneeded work activities and redistributing only the essential, remaining duties to other job holders — the number of job classifications can be reduced dramatically. This serves to "flatten" or reduce the levels of bureaucracy, which will in turn reduce the number of people between the customer and the decision-maker. The result is cost-efficient and meaningful work. This process is estimated to generate net savings of over \$70 million after allowances for pay increases to job holders who receive added duties and for costs associated with reengineering activities and retraining.

Other reductions in the state's workforce numbers can be accomplished through attrition, retraining and placing employees in areas of high need. Our old, reactionary method of human resource planning that maintains a "ceiling" of budgeted positions, "freezes" employment and repeatedly threatens layoffs can be replaced with new planning methods. An investment in planning for a stable human resource capital will pay higher dividends.

### **Recommendations**

The Commission recommends that Kentucky:

- 16 Move the GSC to the new Cabinet of Personnel Management. Assign the agency with the responsibility for leading a program to reengineer job vacancies and for increasing opportunities to retrain employees whose jobs are eliminated by job redesign. Provide it with the resources to support a mission for promoting a multi-skilled workforce and to accelerate facilitation of strategic thinking and planning throughout state government.

17 Maximize the use of new technology by consolidating the training functions of the Department of Information Systems' Training Branch and the Computer and Technical Services Branch at the Governmental Services Center, increasing their scope and sources of computer training delivery. Develop an electronic records management system for tracking training activities, costs and outcomes.

18 Clarify and publish training policies that encourage employee development and involvement at all levels. Improve needs assessment processes for development of individual employee training plans.

19 Mandate annual training requirements drawn from the Kentucky Career Manager programs for all managers. Require senior executive level managers through the level of director to attend a 3.5 day Executive Development Seminar. Include training in managing diversity in the workplace.

### **Recognize empowered employees**

Increased training and development opportunities, improved communication, delegation of responsibility and involving all employees in an effort to bring about lasting change is a big challenge for Kentucky. The Governor's Commission on Quality and Efficiency believes that the success of efforts to change the way government thinks and operates depends on a high level of employee efficiency and productivity, dependability and cooperation. If we are to reward the contributions that our employees make to public service, we must link government employee goals and provide incentives to match changing workforce needs.

Management and employees must move out of the "command and control" model of operation and move into a partnership to create the future our citizens want for their children. Teams and individuals must constantly seek to improve on every success. That requires demanding that every employee produce measurable results. Our new system must not tolerate incompetence. It will build in rewards for excellence and identify poor performers.

State government must value customer needs and set goals to meet them, then measure the results. Only then will we know if we have made a difference for Kentuckians. The performance expectations for each employee must be linked to the mission and goals of the organization. Then, employees must be evaluated against the *results* of their efforts.

Employees believe that the current evaluation system is designed to measure their performance based on the whims of their supervisors. Inequities in the system are numerous and whatever rating is given means little in terms of reward. The system fails to distinguish the extent to which the employee adds to the team effort to meet customer needs and it does not promote professional development nor reward for excellence. Our employees simply are not rewarded financially for doing a good job, nor are they recognized for excelling. The existing system is also an ineffective tool for documenting substandard work and for developing plans for correction. Managers and employees agree that this

system is broken. It is time to rethink this old model and build a new one.

A look into the mirror reflects that we can do more to foster career growth for minorities and women. Attempts to track increases and decreases in the numbers of minorities and women represented in state government does little to foster growth for the needs of a diverse, multi-cultured workforce. Employees must be valued and recognized for the unique skills they bring to their jobs—and enabled with family-friendly and competitive benefits to balance their family and cultural needs with the public service work they perform. Contemporary work alternatives such as flextime, job sharing, and aggressive efforts to help minority and women employees prosper in their jobs are needed in state government. Also a stable retirement income is important for the time when our employees are ready to relax and enjoy life outside the daily “treadmill.”

Because benefits are costly, the retirement system just can’t tolerate duplication. That’s what we have when we administer different retirement programs. Centralizing the administration of the various plans could mean significant cost savings and improved efficiency. These administrative costs could be better invested in retirement benefits.

Emerging trends in our state’s demographic makeup require that we study alternative retirement benefits for future employees. One such program is based on a defined *contribution* as opposed to our current defined *benefit*. The concept is based on an agreement between a new employee and the state—each contributing toward a plan that the employee owns and can take along to a new job. This portability is an advantage for an emerging mobile and multi-skilled workforce and operates much like a 401K plan. It is less costly for the Commonwealth because the investments are made across the duration of the plan as opposed to at the end when a formula is applied. Because we want to honor our commitment to current employees who have a defined benefit program, the proposed plan should be explored for new employees only.

### Recommendations

The Commission recommends that Kentucky:

20 Remove the current evaluation system from KRS 18A and mandate implementation of a Performance Planning and Development Program which establishes pay for performance for individuals and groups, provides an effective tool for accurately measuring job performance on an annual basis, ties together career goals and professional development and uses a “peer review” procedure for disputed evaluation cases. Allow employees to share in agency cost-saving successes.

21 Refocus the current Employee Suggestion System to promote a more receptive framework for suggestions and hold managers accountable for annual participation objectives.

22 Maximize contributions of our diverse workforce by recommitting resources for aggressive affirmative action that values diversity. Facilitate upward



mobility for women and minorities who have advancement potential through a talent bank. Include them in the development of a mentorship program to provide development opportunities. Monitor advancement opportunities for women and minorities and set goals and timetables for measuring success.

23 Strengthen communication for complaint resolution through development of a Department for Employee Relations in the new Cabinet for Personnel Management.

24 Merge administrative and support services maintaining separate funds for the Kentucky Employees Retirement System, the County Employees Retirement System, the State Police Retirement System and the Kentucky Teachers Retirement System.

25 Provide an early retirement incentive for employees who want to purchase service credit to meet the required 27 years of service. For new employees, convert from a defined benefit to a defined contribution retirement plan.

# THINK & PLAN FOR RESULTS



**T**O RESPOND TO THE CHALLENGES THAT WILL FACE US IN THE 21st century, Kentucky must create a new government: a streamlined, flexible government that provides the best services to the citizens of Kentucky at the lowest cost. These challenges are forcing us to take risks—daring us to change the way we organize, think and plan.

The Commonwealth's continuing fiscal crisis is pushing us to change the way our government operates, to abandon outdated rules and fundamental assumptions about our government that have served us well in the past, but limit us today. There is nothing like not having the money to pay the bills to force government to do things differently.

Recognizing that we need to make the transition from government to governance, from rowing to steering, is the first step. The Commission certainly understands that our state government is not there yet. Rather, it is fractured into hundreds of agencies and programs that are competing for dollars . . . agencies with varying goals and priorities . . . agencies in different cabinets with similar functions . . . agencies maintaining countless inefficient, outdated fiscal, purchasing and personnel management systems . . . agencies with employees crying out

for change and offering good suggestions for making that change. Too often, no one is listening.

Ours is not the first commission that has urged state government to steer. In 1924, farsighted Kentuckians took the helm. They recognized the need for a more efficient, effective government when they created The Efficiency Commission of Kentucky. The 1924 Commission asked questions about Kentucky state government that are still pertinent today: "Is the thing (program or activity) necessary? Is it more necessary than something else that the state is not doing? Is

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*The key to successful statewide strategic planning in Kentucky lies in the top down commitment of the Governor and legislative leadership braced by strong employee support.*

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it costing too much for the return it is giving? Can the state get better service for the same money and if so, how? Or, perhaps, does the state need more service of this kind and should it spend more to get it?" The Efficiency Commission of Kentucky was on the right course. This vision of better government, imagined nearly 70 years ago, was, unfortunately, never completely fulfilled.

### Planning strategically

In 1993, this Commission's vision for "a government surpassing our expectations" must not be allowed to collect dust on a shelf. How can our vision of a focused, united government working toward the common goal of serving the citizens of Kentucky in the most efficient way become a reality? Other states have found the answer to this question through the process of strategic planning. The Commission believes that the implementation of comprehensive, statewide strategic planning will allow us to assess the most critical issues affecting our state and nation and enable us to meet the challenges ahead.

Policy pundits tell us that good strategic planning allows bureaucracies to be flexible and therefore more responsive to citizens' needs. Yet, by definition, bureaucracies are inflexible. According to Webster, **bureaucracy** is . . . "the administration of government through departments and subdivisions managed by sets of appointed officials following an inflexible routine . . ."

Strategic planning will allow Kentucky government to establish a new foundation — a foundation constructed of a broad mission and goals for our state. Our foundation must be bonded by the ability to think strategically, to be adaptable, to be competitive and to capitalize on our strengths. Our foundation must be strong and yet flexible enough to adapt to our fast-paced, technological world,

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### STRATEGIC PLANNING AND ACCOUNTABILITY MODEL



our state's need for a highly-trained workforce and the shifting requirements of our citizens. As a part of this planning process, state agencies must establish their own mission and goals. No government agencies can be left out of this process or our foundation will collapse.

The Commission found a wealth of information supporting the implementation of strategic planning and management in Kentucky. However, during our study of state government, the Commission discovered that Kentucky lacks a statewide, strategic planning process. Although strategic planning efforts are under way within some agencies and departments, the isolated plans can be compared to laying only some of the floors in a house, yet failing to budget for wood for the stairs and the hall. There is simply no connection among agency planning efforts. The key to successful statewide strategic planning in Kentucky lies in the top down commitment of the Governor and legislative leadership braced by strong employee support.

While planning is critical, we must not be limited, but guided by it. Strategic planning allows us to think about long-term issues, systematically using milestones and regular reviews — report cards of sorts — to remind us where we are and how we are doing. A statewide strategic plan will produce a shared and broader vision and create the teamwork necessary to transform the plan into a productive, sustainable management process. Planners who are developing the state's mission and goals must be trained and encouraged not only to plan strategically, but also to think strategically.

To be successful, the strategic planning process must place strong focus on results and outcomes rather than efforts and inputs. Statewide planning will help government steer a course that will foster proactive policy decisions, minimize last minute decision-making and limit emergency calls for the bucket

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### STRATEGIC PLANNING EFFORTS IN OTHER STATES COMPARED TO KENTUCKY

OREGON	<ul style="list-style-type: none"><li>◦ 20 Year Strategic Plan</li><li>◦ 12 Public Meetings</li><li>◦ Benchmarks for Progress</li></ul>
MINNESOTA	<ul style="list-style-type: none"><li>◦ 30 Year Goals</li><li>◦ 15 Public Meetings</li><li>◦ Measurable Milestones</li></ul>
UTAH	<ul style="list-style-type: none"><li>◦ 20 Year Goals</li><li>◦ Public Meetings</li><li>◦ Measurable Benchmarks</li></ul>
TEXAS	<ul style="list-style-type: none"><li>◦ 6 Year Strategic Plan</li><li>◦ Broad Goals</li><li>◦ Integration of Planning, Budgeting and Program Evaluation</li></ul>
KENTUCKY	<ul style="list-style-type: none"><li>◦ No Comprehensive Process for Strategic Planning</li><li>◦ Policy Planning Conducted at Departmental Level</li><li>◦ Little Linkage with Results-Oriented Budgeting</li></ul>

brigade. This process will establish a framework for allocating resources wisely, make state government more responsive to its citizens and provide the critical linkage between planning and budgeting to improve fiscal accountability.

### Recommendations

The Commission recommends that Kentucky:

26 Implement an integrated strategic planning/performance-based budgeting process which will ensure that appropriation decisions are consistent with the state's strategic plan. To successfully implement this process the state must:

- *Create a State Strategic Executive Planning Committee charged with identifying a broad state vision and goals.*
- *Implement the strategic planning/performance-based budgeting process through the use of the Kentucky Planning, Budgeting and Accountability Model.*
- *Link the efforts of the State Strategic Planning Committee to the work of the Long-Term Policy Research Center.*
- *Charge the Governor's Office of Policy and Management with the responsibility of implementing the statewide strategic plan.*

### Results-oriented budgeting

The Commission recognizes that if strategic planning is the foundation of a better government for Kentucky, a performance-based budgeting process is the framework. However, our existing framework is weak, with important joists rusting or completely absent. Currently most planning done by state agencies is budgetary in the most traditional sense of the word, and that process is driven

more by the level of past expenditures than by departmental missions, goals or strategies. In 1980, the Governor's Executive Management Commission strongly recommended a performance-based budgeting

KENTUCKY'S BUDGETING SYSTEM		
	Current	Proposed
Planning	Agency by Agency	Integrated
Budget Process	Rule-Driven	Mission-Driven
Incentive	Spend It or Lose It	Rewards Performance
Accountability	Outputs	Outcomes
Culture	Business As Usual	Encourages Innovation

process with specific measures for demand, workload, efficiency and effectiveness. However, little if any action was taken as a result of these recommendations.

Although Kentucky has made several attempts to focus the budget on results, these efforts met with only limited success. We must shift the emphasis in government from counting outputs—clients served, patients seen or visitors crossing our state line—to measuring outcomes, or results, determined by a clear mission. In the past, agencies have not measured the effectiveness or efficiency of their programs, nor have they determined whether their programs are still meeting our citizens needs.

How do agencies determine whether their programs are still meeting citizens' needs? The old adage "If you can't measure it, you can't manage it" certainly applies here. Establishing a system of performance measurement will allow agencies to quantify and measure the effectiveness, efficiency and quality of their programs in achieving their objectives. The following are criteria for effective performance measures:

- *Involve participants from all levels in developing performance measures*
- *Emphasize long-term planning by linking measures to the state strategic plan and operating budget*
- *Design cost and performance data collection systems*
- *Ensure performance measures reflect the agreed-upon mission, goals and objectives of the Governor, legislature, program administrators and citizenry*
- *Use the performance measures as a powerful tool in making resource allocation decisions*
- *Provide measures in manageable quantities and on a timely basis*
- *Provide policy-makers a means to validate the completeness and accuracy of the information provided through an internal auditing process*
- *Use performance-based budgeting in conjunction with an individual performance-based management system*

Base-level reviews are another essential part of an effective budget process. Regular reviews of major programs identify opportunities for reducing costs and enhancing the efficiency of existing programs.

Too often, Kentucky has been caught unaware during periods of fiscal crisis, throwing money at problems, rather than budgeting for uncertain times. The state must better prepare itself for periods of fiscal uncertainty by eliminating wasteful spending and by setting aside a greater portion of the fiscal pie for a rainy day. Just as many Kentucky citizens plan for difficult times by establishing a savings account or contingency fund, so should state government build its reserves. Although Kentucky does have a rainy day fund, the fund falls far short of the national average of 4.8 percent of the budget. In fiscal year 1993, Kentucky set aside only .001 percent of the General Fund for a rainy day.

Our budgeting system and even our state statutes encourage wasteful spending. One Kentucky Revised Statute, commonly known as the "lapse" statute, encourages inefficiency through "spend it or lose it" pressures. This statute directs that unspent portions of General Fund appropriations lapse back to the credit of the General Fund Surplus Account on June 30 of each fiscal year. Agencies quickly learn that if they spend all their General Fund dollars, their chances to receive funding at the same or an increased level are better for the next fiscal year. This inflates future spending levels, creating a snowball effect on agency budgets.

#### **Recommendations**

The Commission recommends that Kentucky:

- 27 Adopt a performance-based budgeting process for resource allocation that is directly linked to the strategic planning process. The performance-based budgeting process should include all of the following critical elements:
- *Identification of state priorities*
  - *Strategic planning*
  - *Operational planning*
  - *Results/performance measures*
  - *A high level of commitment and change by all employees including the leadership of executive and legislative branches*
- 28 Appoint a task force to develop performance measures for state government programs and agencies within the context of the proposed Kentucky Planning, Budgeting and Accountability Model.
- 29 Amend KRS 45.229 to allow that 40 percent of lapsed funds be retained by individual agencies to be spent on non-recurring items such as equipment, materials, software or staff development.
- 30 Establish a rainy-day fund level of approximately five percent of the General Fund.
- 31 Utilize a revenue forecasting team comprised of representatives from business, labor, academia and the executive and legislative branches to ensure revenue estimates are appropriately conservative and based on sound financial analyses.
- 32 Require base-level reviews of major programs every three to five years.

### **Managing our money wisely**

Getting the biggest bang for your buck, whether you are a private citizen or a government bureaucracy, means managing your money wisely. Money management systems should not be spread among several unconnected entities. In Kentucky government, however, cash management functions are spread among the Revenue Cabinet, the State Treasurer's Office, the Office of Financial Management and Economic Analysis, the Division of Accounts and various state agencies. This fragmented, loosely-defined system of cash management prevents Kentucky government from being the best steward of public funds.

Complicating the lack of a good cash management program are outdated fiscal systems, characterized by antiquated equipment, manual processes, multiple handling of checks and documents and partially-implemented, automated systems. The results are dismaying: during the 1992 tax filing season, the backlog of returns was so severe that unopened tax returns were stored in a trailer at the Revenue Cabinet until they could be processed.

Our system of collecting and disbursing money is not working. To fix it, the Commission recommends the creation of an Office of the Controller to elevate financial management and bolster public accountability. An effective,

A critical element of a good cash management program is the ability of decision-makers to move money quickly and decisively to the taxpayers' best advantage. Our budget-makers are greatly hindered in this effort, however. The income streams that form the basis for Kentucky's operating budget are the General Fund, restricted agency funds, federal funds and the Road Fund. Expenditures of restricted agency funds have been growing at a much faster pace than General Fund expenditures. However, the General Fund is the only one of the state's income streams that may be used at the discretion of budget-makers during times of fiscal crisis. As a result, the state's General Fund has been under constant pressure for over a decade and is quickly drying up.

burden of General Fund budget cuts, while agencies that receive fees are relatively immune. The Commission believes that the state's budgeting process should treat all the discretionary funds as the state's resources, rather than treating a significant pool of funds as the agency's own.

Sheriffs, property valuation administrators, county clerks and circuit clerks from all 120 counties in Kentucky collect and process a variety of taxes, costing the state \$15.2 million yearly for tax collection and \$14.0 million yearly to fund local offices. Many of these processes are duplicated in the same county. The Commission found that other states of comparable size have successfully consolidated these services, increasing efficiency and saving money.

There are a number of other improvements that can be made to help budget-makers manage taxpayers' money wisely, including developing a method to measure the true cost of government's support services such as administrative overhead and the expense of collecting taxes and fees.





## Recommendations

The Commission recommends that Kentucky:

33 Eliminate restricted agency funds. All restricted funds except those that are fiduciary should be part of the General Fund unless otherwise prohibited by Federal law or regulation.

34 Consolidate the 120 Property Valuation Administrator (PVA) offices into 40 or 50 regional offices and appoint, not elect PVAs. Move property tax collection to the Revenue Cabinet and allow all delinquent property tax collection to be a function of the Cabinet.

35 Develop a one-page Kentucky tax return and streamline and automate the tax collection system by:

- Sending mailing labels rather than envelopes with tax returns
- Stopping the practice of sending returns and tax packets to taxpayers who have their returns prepared by someone else
- Developing a better non-resident and non-filer system
- Increasing tax compliance by cross-reference of property tax, motor vehicle, federal systems
- Equipping the Revenue Cabinet to collect delinquent taxes and institute efficient compliance program

• Reengineering and automating front-end processing of documents entering the Revenue Cabinet and activate microfilming at the Cabinet level to achieve same-day deposits

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*"I am now logging, by hand, in four separate places, each step in my process . . . manual log, computer log (to which I have no read access) and two hand "double checks" on each. I am spending almost as much time logging and tracking as I am doing actual technical work. At my rate of salary and the state's income from permit fees...(this amounts to) \$500,000 in eight years for my work alone . . . I think a desk top computer for read only access to our tracking system is not unreasonable..."*

1993 Employee Survey Response

36 Develop one standardized, automated methodology for allocating overhead costs. Design and implement systems and processes for measuring the costs of collection taxes and fees.

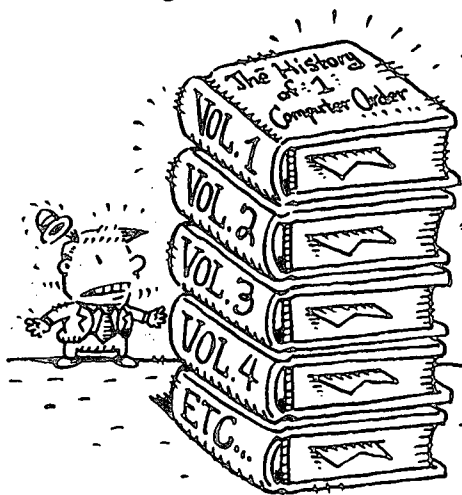
37 Reengineer the system by which checks are received and processed by the state. Use the STARS system for due date processing and schedule and mail payments in a manner that increases interest income.

## Making our systems more efficient

Of the thousands of employee surveys the Commission received last spring, hundreds of workers expressed frustration with the antiquated "processes" of state government. It is important to note that many of these processes were not created—they just happened. Yet, they continue to be used no matter how frustrating, redundant, costly and wasteful.

To change these processes and make them more efficient, we must change our way of thinking about our work. We should begin this change by completely reengineering all of our processes as suggested by Michael Hammer and James Champy's definition in *Reengineering the Corporation*: "reengineering — the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality service and speed." Reengineering, in other words, means completely starting over, creating new processes to accomplish work. True reengineering is a time-consuming and costly process. There are, however, many immediate changes that can be made quickly and without significant cost to the state.

Someone was obviously thinking about improving processes when they conducted the 1987 automated purchasing study with an eye toward streamlining purchasing and cutting administrative costs. What happened to that initiative for change? It was never fully implemented. Six years later, patently simple procedures such as purchasing a computer or renting a tent, continue to be exceedingly complicated because of the outdated, inefficient system established to pay for the goods and services the state procures.



Consider this example discovered by a Commission team: "A History of One Computer Order" in which the purchase of one computer and related software took 110 documented steps . . . was lost or misplaced several times . . . and took from October of 1992 when a Federal grant for the purchase of a computer was received until June of 1993 when the computer finally arrived. The cost of completing the 110 steps dramatically exceeded the cost of the computer. The state must establish a method to measure the staggering, costly effect of numerous, similar bottlenecks that occur throughout state government daily.

It does not make sense that state financial systems continue to:

- Perform three validity checks on time and attendance data before issuing payroll checks
- Operate multiple data systems that do not pass data to one another
- Produce 193 reports from the central accounting system consisting of 56 produced annually, 75 monthly, 36 daily and 26 on-demand
- Print most reports on paper, even when it is estimated that reports from the central accounting system alone consume 2.9 million sheets of paper a year — which, when laid end to end, would stretch for 503 miles. Even Daniel Boone couldn't follow that paper trail.

The Commission recognizes that while Kentucky government is not ready to completely reengineer its systems, immediate changes can be made to some systems to save money, eliminate waste and provide better service to the citizens of the state.

## **Recommendations**

The Commission recommends that Kentucky:

- 38 Review, update and implement the 1987 automated purchasing study. Raise the small purchase authority limit set at \$1,000 in 1979. Eliminate the small purchase authority as set out in KRS 45A.100 and enact new law directing the Finance & Administration Cabinet Secretary to set small purchase authority limits when automation is in place. Mandate a review of individual agency purchasing policies and the Finance and Administration Cabinet's procurement regulations.
- 39 Reassess the capabilities of and needs of the central accounting system and its interfaces with other major systems, and redesign the interfaces accordingly. Train agency personnel in the capabilities of the central accounting system.
- 40 Streamline the process of making a payment with a check issued by the State Treasurer.
- 41 Eliminate the use of imprest cash.

## **Reorganize government**

The Commission has suggested that strategic planning and performance-based budgeting are the foundation and framework of better government for Kentucky. As Kentucky government begins this challenging planning and budgetary process, it must also determine if its existing organizational structure supports the state's newly-defined mission and goals.

Kentucky created a national model of a cabinet organized around a common mission when it recognized and elevated the importance of workforce training and retraining by creating the Workforce Development Cabinet, uniting critical agencies with a common mission.

The Commission believes that Kentucky should build upon the success of this cabinet by further strengthening and consolidating workforce training in Kentucky. Following the workforce example, Kentucky can improve the training and coordination of law enforcement in the state by consolidating special law enforcement officers into one department. It also stands as an example of how Kentucky government can better serve the taxpayer by consolidating similar functions that are now spread among other cabinets.

After the implementation of comprehensive strategic planning to establish a clear mission, our state government agencies can become mission-driven organizations, rather than rule-driven. We can organize our government around a common mission rather than around control-oriented turf.

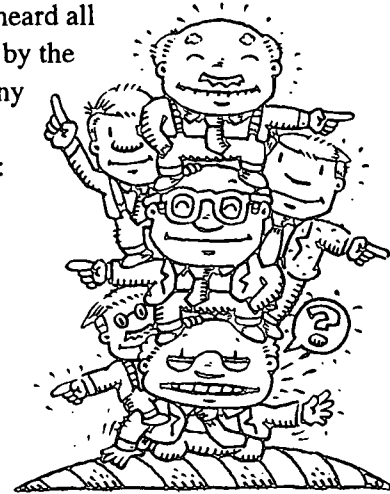
Although the Commission could not comprehensively assess every department within state government, we identified initial organizational changes that could be made to make our government more efficient. The following guidelines were used in determining immediate changes that could be made in our organizational structure:

- *Streamlining policy directions for related programs*
- *Separating internal administration functions from programmatic service delivery*
- *Establishing clear lines of authority to increase accountability*
- *Grouping related programs to minimize administrative costs*

During our study of the organizational structure of state government, one problem became readily apparent: the excessive layers of management existing throughout state government. This finding was supported not only statistically, but also mentioned repeatedly during employee interviews and on surveys. The complaint of "too many chiefs and not enough Indians" was heard all too often. In comparison, two large, private organizations studied by the Commission had five and six layers of management versus as many as ten found in Kentucky government.

Studies have shown that excessive layers of management:

- *Create inefficiencies through extra approval and processing steps*
- *Limit the number of line employees that provide direct services to the public*
- *Drain the state's financial resources*
- *Distance the Governor from the citizens of the Commonwealth*



Streamlining the management structure of Kentucky government will eliminate duplicative efforts, improve communication, reduce operating costs and make the government more responsive to the citizens of Kentucky as evidenced by improved service delivery.

### Recommendations

The Commission recommends that Kentucky:

- 42 Elevate the Department of Personnel to the Cabinet for Personnel Management and position the Governmental Services Center within the new Cabinet for Personnel Management.
- 43 Position the Kentucky Information Systems Commission in the Governor's Office for Policy and Management.
- 44 Separate the administrative functions now in the Finance and Administration Cabinet and create a General Services Cabinet.
- 45 Create a Finance Cabinet and establish an Office of the Controller in the new cabinet.
- 46 Establish an Office of Internal Audit reporting to the Secretary of the Executive Cabinet.
- 47 Establish a sunset procedure for periodical review of all boards, commissions and councils and a sunrise procedure to review proposed boards, commis-

sions and councils. Propose legislation that establishes uniform budgetary and operating procedures for boards and commissions.

48      Transfer the Job Training Partnership Act program from the Cabinet for Human Resources to the Workforce Development Cabinet and transfer the Bluegrass State Skills Corporation from the Economic Development Cabinet to the Cabinet for Workforce Development.

49      Transfer the Division of Motor Vehicle Enforcement, Division of Water Patrol and Department of Parks law enforcement units to the Justice Cabinet.

50      Combine the Division of Telecommunications in the Department for Facilities Management with DIS.

51      Eliminate excessive layers of management and reallocate staff to direct service positions.

# CONNECT GOVERNMENT TO CUSTOMERS



CUSTOMERS ARE NO LONGER WILLING TO ACCEPT POOR service, slow response to an order, an overpriced product or one that breaks before it's used. Successful companies have learned that to get people's business and keep it, they must satisfy the needs of their customers. It's simply good business.

Yet citizens, the customers who pay the tab for our government, get red tape and roadblocks rather than quick response and effective service. Kentucky's citizens expect to benefit, not suffer, from state government's policies and activities. They demand from government the same efficient service that they demand from local businesses. Why then, hasn't government responded with efforts to treat its citizens like customers?

The answer is that government doesn't have to compete for customers: it's a monopoly. It shuns being "run like a business" because it doesn't have to survive like a business. There is simply no incentive to compete.

While the bottom line for business is profit, the true bottom line for government is providing quality services to citizens. Citizens expect government to act in their behalf — to respond to child abuse and neglect, to care for disadvantaged Kentuckians — the poor, medically and mentally ill, the homeless — to regulate public health and safety issues. They want tax refunds in time, good highways and preservation of our precious land resources. Demands continue to rise for government to meet customer needs. At the same time, citizens refuse to agree to pay more taxes. Clearly, the mandate is to look within government to save money.

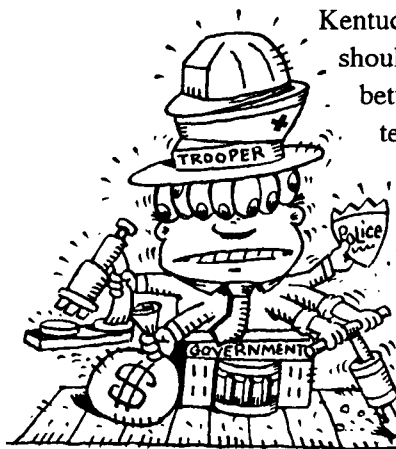
Government has taken on more and more responsibility in recent years as it tries to be everything to everybody. It labors under budget shortfalls, the heavy burden of greater demand for services and shortsighted planning. It is slow to change. But we must start thinking differently: in terms of asking basic questions about what citizens want from government and how those expectations can be met efficiently and at the lowest cost.

To begin this new way of thinking, Kentucky's state government must return to the basic reason it exists: **to govern**, to solve problems to meet our society's needs. Just as each of us must remind ourselves of our "to do" list and prioritize our daily chores to effectively manage our time, our government must focus on its mandate, using its time wisely to accomplish its priorities. When government frees itself from doing everything, it will have time to focus on what it is supposed to do and does best.

Peter F. Drucker, author of *Post Capitalist Society*, describes a process to "turn around" government. He suggests that government abandon things that do not and have never worked and concentrate on things that produce results.

"Abandonment" has thus far been strongly resisted in most bureaucratic minds in Kentucky. The Commission on Quality and Efficiency recognizes that it is human nature — and certainly government's nature — to resist losing control of anything for which we've assumed responsibility. But Kentucky must release our government from the responsibility of performing tasks it isn't designed to perform.

The Governor's Commission on Quality and Efficiency found that Kentucky's state government is compromising excellence in what it should be doing by taking on too many tasks that could be performed better — by highly specialized individuals, employing the latest technology — and at a lower cost by companies who are "in the business" of providing those services. Operating support services such as printing and security services takes precious time and personnel away from the real business tasks Kentucky's government needs to be performing for its customers. The same holds true for the delivery of social service programs. It is not unreasonable to expect government to concentrate on jobs and tasks related to policy making.



Social programs then, would be delivered by community based, non-profit organizations that have proven to be highly successful. The American Mental Health Association, the American Heart Association and Alcoholics Anonymous are notable examples.

Our resources are just too scarce to waste on unnecessary activities and outdated ways of thinking. Government must make the most of every tax dollar spent and become more enterprising to give citizens the lion's share of returns for their investments in government. A spirit of competition will drive us to eliminate waste, improve service, lower cost and free managers to focus on oversight.

We must reinvent government from the citizen's eye. Citizens experience government in terms of the direct services that are provided to them. In too many areas, Kentucky is simply not meeting their needs. We can — and must — do better.

### Generate a competitive spirit

Progressive governments are entrepreneurial, favoring innovation and creative ways of working efficiently within existing resources. Competition is the cornerstone of the entrepreneurial spirit. It can be a driving force for reforming government by giving employees an incentive to act as shareholders and by inspiring constant improvement. Acting competitively means listening to the voice of our customers. That's a change in the way governments operate.

Kentucky already has a solid foundation on which to build. We take pride in being nationally recognized for contracting out minimum security prisons — termed as "privatization" or "outsourcing" — and have taken other innovative steps in this direction. Such efforts, however, have been reactions to crisis and piecemeal at best.

In a time of scarce resources, the state just can't afford to stop looking for ways to drive out waste, increase productivity and reduce the cost of running government. We can start by looking at those activities in government that do not directly serve the public — they serve other government agencies. If our support services such as printing and security services are not willing nor able to compete in cost and quality, you can bet that someone else can! Wise administrators must become thoughtful and informed shoppers. There simply is no reason to spend more for the same or less and spend time and resources that would be better focused on direct services.

Outsourcing those support services that can't compete is wise shopping when quality and cost don't suffer. Good business sense tells us that we must have the right tools to measure and compare operating costs if we are to become leaner. Commission analysts repeatedly found that the state's accounting systems fail to allocate overhead expenses. Reducing costs in every unit of government won't happen if we don't have a way to account for what we spend or if we bury that cost in obscure figures. As in business, overhead has to be recognized and controlled if government is going to be successful in cutting waste from its operations.

What gets measured, gets managed. When we begin to focus on costs, it becomes clear that different approaches to everyday problems result in cost



savings without sacrificing quality. A comprehensive search must be conducted for services that can be effectively and efficiently operated by others.

### **Recommendations**

The Commission recommends that Kentucky:

52 Establish a Privatization Commission as a lead agency to inject competition into government. Charge the Commission with responsibility for reviewing and recommending to the Governor services that would be more efficiently delivered in partnership with the private sector. Analyze new and existing programs such as printing and security services. Challenge administrative services to bid and attain competitive pricing and quality.

53 Measure the administrative costs (overhead) of government programs and report cost reduction performance to taxpayers.

54 Adopt cost-conscious approaches to operating government, such as a design-build model for construction projects and lease-purchase options for real property. Revise procurement practices and consolidate state mail processing operations to include a single-source, discounted contract for overnight and package delivery services.

### **Provide health and human services**

Government has a responsibility to provide services for those unable to provide for themselves. In Kentucky, the Cabinet for Human Resources (CHR) is mandated to manage these critical programs. It is a huge agency with a huge mission: to deliver local, public and private services that enhance/protect the health, welfare, personal dignity, integrity and self-sufficiency of individual Kentuckians.

This Cabinet, the largest in state government, has offices located in each of Kentucky's 120 counties. The Governor's Commission on Quality and Efficiency found that there is an abundance of supervisors—described by one employee as “too many supervisors who do little . . . too few workers who do lots.” Business standards express this issue in terms of span of control—a ratio of the number of supervisors to the number of employees. Some industry standards range from 1:10 to as much as 1:20. Thomas J. Peters, author of *In Search of Excellence* and *Thriving on Chaos: Handbook for a Management Revolution*, maintains that a healthy organization can operate within a range of one supervisor for every 25 to 75 workers. A sampling of the span of control in selected areas within CHR range from an average of 1:4 to 1:27.

While contemporary organizations focused on improving quality are reducing the number of layers between the customer and the decision-maker, this Cabinet is top heavy. Its ratio of manager to line employees shortchanges the number of frontline staff, placing unreasonable demands on employees and those supervisors who actually provide the services.

The Commission believes that the state must unleash the brainpower of our employees and delegate decision-making to the front line. Streamlining and balancing the workload is a must if we are to reduce waste, redundant functions and other roadblocks to efficient customer service.

CHR employees and many of its supervisors in the trenches touch the lives of customers every day in their work. The Commission's forums and employee surveys showed that CHR employees—whether community social worker, unemployment insurance examiner or patient aide—know and listen to their customers. What Commissioners heard loud and clear was that CHR's operating systems are not responsive to the need for measuring the quality of the services delivered by the Cabinet and that the very size and structure of the organization hampers responsiveness.

For instance, programs within CHR often have the same client, yet automated information systems remain independent for each program. In a service delivery system as complex as CHR, improving technology and communication networks can go a long way to improved efficiency and speedy response.

Response time is critical when a person is in crisis. Yet in 1992, 1,607 of our mentally ill citizens were placed in jails to await evaluation and hospitalization. Kentucky was given the "worst state award" when it ranked 51st in the percentage of jails holding mentally ill persons without criminal charges. If we are to provide humane treatment for the mentally ill, they must be diverted from jails to the appropriate psychiatric hospitals.

Similarly, Kentucky's emergency medical services (EMS) must be organized to ensure quality, speed and efficiency. Yet there is no lead agency responsible for planning, maintaining and evaluating an effective EMS system. At least four agencies, three within CHR, currently exercise authority over EMS activities. This fragmentation of authority and lack of coordination is confusing to the licensed personnel and to the agencies themselves. More importantly, it threatens the quality and responsiveness of medical care in life-threatening situations.

#### Recommendations

The Commission recommends that Kentucky:

55 Streamline CHR by eliminating layers of management, increasing the span of control through reallocation of staff to direct service positions and consolidating local offices.

56 Establish an Office of Quality Assurance within CHR to develop customer survey methods, measure and manage all quality-related activities as part of CHR's strategic quality planning process.

57 Elevate information management to the departmental level, fund the implementation of TWIST — a statewide case management system — and implement a computer-based information network for use within CHR.

58 Revise KRS 202A to prohibit the use of jails for detaining persons awaiting involuntary commitment hearings and develop a regional plan to divert mentally ill individuals from jails to appropriate psychiatric facilities.

59 Establish a lead agency for Emergency Medical Services, enact statutory protection for EMS quality assurance activities and provide for the establishment of a comprehensive evaluation program.

### Ensure public safety

Our citizens may feel “mugged” at the high cost of punishing criminals. In just the last decade, Kentucky’s inmate population increased by 251 percent and the costs of incarceration are also spiraling — now up to an estimated \$13,789 a year per inmate. And, the revolving door on our prisons suggests that efforts at rehabilitation are failing.

In this environment, Kentucky must examine its current philosophy of setting sentences, allowing early release and emphasizing rehabilitation as the answer to punishing criminals. There is wide disparity in the sentences imposed by courts and the length of time prisoners actually serve in Kentucky prisons. The average felony sentence is slightly less than 16 years while the average time served in prison is 19 months.

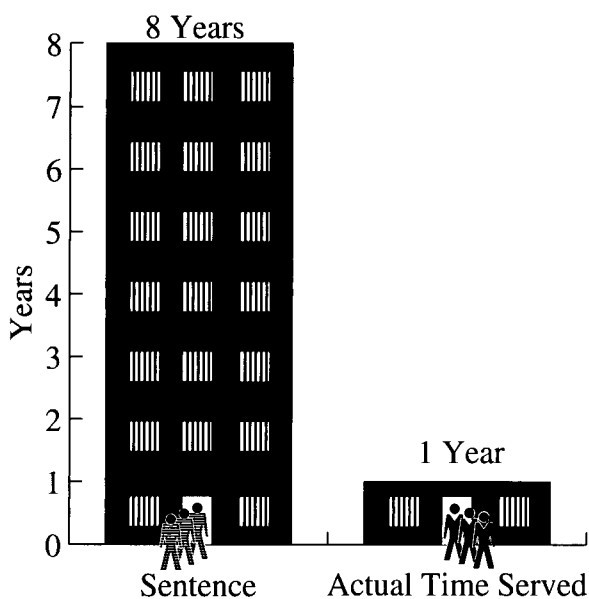
Rehabilitation of prisoners has been the state’s primary goal. The Parole Board determines at what point the prisoner is “cured” and ready to return to society. Kentucky’s criminal justice system has failed to prove itself successful in rehabilitation of prisoners. Over 30 percent of offenders released from prison return to serve another sentence.

The Commission believes that the ultimate measure of our correctional system’s performance should be the control of crime. The emerging cry from citizens is “give them their just desserts” — let the punishment fit the crime. Kentucky’s legislature has re-

sponded to public outcry by adopting mandatory sentences for certain crimes and placing restrictions on parole for other crimes. These actions are only partial fixes to a system that needs reengineering. A rethinking of our sentencing philosophy, guidelines and criminal justice system is the order of the day.

Before Kentucky can hope to solve the problem of prison overcrowding, high cost and the demands of the public, two goals must be adopted to shift the focus of our criminal justice and correction system to a new philosophy aimed at the control of crime:

#### FELONY OFFENDERS ARE NOT SERVING FULL SENTENCES



Source: Kentucky Department of Corrections

- *Parole should no longer be made available when the primary focus is punishment.*
- *Prison capacity should be taken into consideration on the front end in "planning" prison sentences. Prison terms must become certain.*

This means that a person sentenced to five years in prison or to alternative programs would not be released until the full five years had been served. With these principles in mind, Kentucky should eliminate the Parole Board and replace it with a Sentencing Commission that would set sentencing guidelines for judges. These presumptive guidelines, which take into account the type of crime and the prior criminal history of the individual, would be established by the Sentencing Commission and approved or rejected by the legislature.

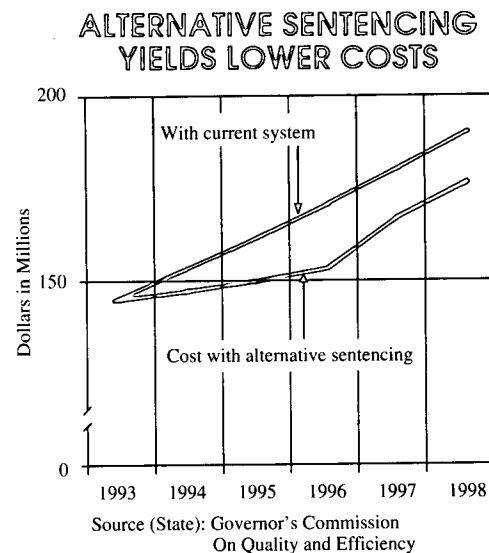
Presumptive guidelines remove sentencing from current politics and regional sentencing inequities and increase the state's ability to control prison population. Controlling overcrowding in our prisons without spending millions on additional facilities would result in tremendous cost savings.

Savings can be further achieved by increasing the alternatives to incarceration. Since incarceration is expensive, our goal should be to punish individuals in the least costly way available consistent with public safety. Alternatives could include an expanded probation system with specialized probation tailored to meet the specific needs of the offender, intensive probation supervision, "boot camp" facilities, restitution and work release centers, home incarceration and fines.

Such alternatives can retard the growth of prison population. Diversion of the nonviolent inmates into an alternative program eliminates the need for additional prison space and allows the system to maintain more control over a larger number of offenders than is possible under the current policy.

Adopting these changes to the criminal justice system will affect plea bargaining. Because a sentencing commission will reduce the range of possible sentences, there is not as much uncertainty on the part of the offender as to what the sentence will be. This removes the incentive to go to trial in the hope of receiving a shorter sentence than the prosecutor is demanding. Negotiation of sentences is effectively eliminated. The plea bargaining system will need an overhaul to provide guidelines for prosecutors and statutory constraints on plea bargaining. Discretion on sentencing practices will be left with the judge rather than the prosecutor.

Kentucky's prosecutorial system is also flawed and needs rethinking. Our Commonwealth's Attorneys should work on a full-time basis — not split their time between their private practice and their work for the Commonwealth. Justice is now a matter of geography in Kentucky and is better served by a full-time Commonwealth's Attorney in a single professional office in each circuit. With



this full-time status should come the added responsibility for handling all felony prosecutions through both District and Circuit Court. A single point of contact for victims, witnesses, investigations and prosecutions will decrease confusion.

Public safety is the most fundamental citizen need. To take full advantage of both our existing peace officer and state police resources, we must take steps to assure efficient operations. That means avoiding duplication and waste by shifting specialized law enforcement functions now located in Motor Vehicle Enforcement, Water Patrol and State Parks to the Justice Cabinet. Cross-training these forces to augment state police officers in traffic authority and expanding the patrol of our parks and waterways with sworn officers who have state-wide law enforcement authority improves efficiency and public safety.

Kentucky must also take full advantage of technology to keep cost under control and give people needed information faster. Why pay \$2-3 per page for a transcript from a court reporter when a full day's video taping costs \$15? Fifty-five agencies, boards and commissions in Kentucky spend approximately \$1 million per year for court reporter services. Experience has shown that approximately 80 percent of court reporter costs will be deleted once a video system is in operation. Investments in video recording systems make good sense.

### **Recommendations**

The Commission recommends that Kentucky:

- 60 Adopt a corrections philosophy by establishing:
  - *A Sentencing Commission to replace the Parole Board*
  - *Presumptive sentencing guidelines and judiciary sentencing*
  - *Prosecutorial guidelines and statutory constraints on plea bargaining*
- 61 Develop and implement a series of sentencing alternatives to incarceration in keeping with a goal that an offender be sentenced to the least restrictive and least costly sanction available consistent with public safety. Raise the supervision fee to \$20 and assess probationers or parolees accepted from other jurisdictions.
- 62 Convert all 56 Commonwealth's Attorneys in Kentucky to full-time employees and give them responsibility for all felony prosecutions through District and Circuit Courts. Consider transfer of remaining prosecutorial duties from the County Attorney to the Commonwealth's Attorney along with state funding provided for the County Attorney.
- 63 Transfer the Division of Motor Vehicle Enforcement, Division of Water Patrol and Department of Parks law enforcement units to the Justice Cabinet. Expand their duties to supplement the duties of state police officers relative to traffic authority. Require state agencies procuring badges for their employees to seek approval from the Secretary of the Justice Cabinet.

64 Amend statutes to allow video taping of court proceedings. Use video recording systems for court reporting and depositions.

### Train Kentucky's workforce

The world of work is changing and we must prepare Kentucky's workforce to adapt. This is one of the most challenging issues facing the Commonwealth: to create and maintain workforce training programs and services for the development of a world-class workforce, thus gaining a competitive edge in the global economy.

Many Kentuckians have the will to work, but lack the education and skills required in today's technical world. While the Kentucky Education Reform Act of 1990 (KERA) will better prepare high school graduates for entry into the workplace, it will have relatively little impact on Kentucky's workforce until well into the next century.

Many workers in Kentucky, however, have educational background and skills that make upgrading or retraining both difficult and costly to the employer and to the state. Kentucky ranks 49th in the educational attainments of its adult population. Thirty-two percent of adults over 25 do not have a high school diploma. Some are not equipped to undertake the kind of training required for their current job. Those without a high school diploma find it increasingly difficult to find new employment if they lose their jobs.

Only 54.5 percent of Kentucky's new high school graduates are college bound. The goal of workforce development is to target these graduates from high school and give them skills for higher paying jobs. Yet, those seeking technical training run into roadblocks in transferring within the system, which causes unnecessary delays in entering the workforce. It is clear that Kentucky must have a more strategic view for promoting the availability of adult education, job training and retraining.

A successful workforce training strategy must be characterized by quality, vision and continuous improvement through processes that seek to:

- *Conduct annual training needs assessment*
- *Pursue integration of Kentucky Tech and the community colleges*
- *Coordinate and fund a comprehensive training support system*
- *Evaluate workforce training policy effectiveness*

### Recommendations

The Commission recommends that Kentucky:

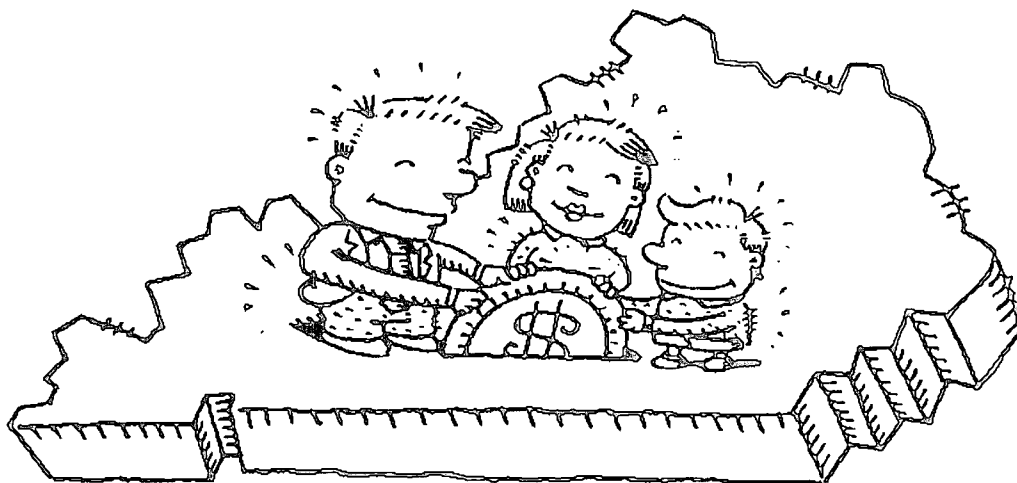
65 Define a comprehensive workforce training strategy involving all providers of training and support. Specifically,

- *Formulate and implement a common strategy for workforce training by all present and proposed members of the Interagency Commission on Educational and Job Training Coordination*
- *Conduct a quality audit of each of the state organizations, providing training as an ongoing evaluation tool*
- *Establish common performance measures among the providers as*

*strategic partners focusing on training standards and utilizing these measures to evaluate training policy effectiveness*

- 66 Develop an effective linkage or “seamless” postsecondary education system which ensures maximum transferability of credit between institutions/ systems for students and workers by:
- *Strengthening the Interagency Commission on Educational and Job Training Coordination to resolve barriers to credit transfer by expanding its mission, resources and composition*
  - *Adopting universal performance measures, applied to all providers of training, to track education and training outcomes*
  - *Publicizing and utilizing the results to select training and evaluate programs, for informed funding decisions and citizen choice*
- 67 Undertake a set of organizational initiatives to enhance Kentucky’s workforce training system by :
- *Creating a statewide apprenticeship program*
  - *Granting Kentucky businesses a graduated tax credit, based on clearly stipulated criteria, when apprenticeship programs are created*
  - *Making an apprenticeship skills assessment available to all current workers*
  - *Transferring the Job Training Partnership Act from the Cabinet for Human Resources to the Workforce Development Cabinet and the Bluegrass State Skills Corporation from the Economic Development Cabinet to the Cabinet for Workforce Development*
  - *Exploring the establishment of a workforce training trust fund and the use of vouchers to complement current uses of public education funds to be utilized by qualified/certified individuals or employers for vocational training (These mechanisms expand the choice of service providers)*
- 68 Strengthen the adult education and literacy delivery system.
- 69 Explore the use of the Kentucky Educational Television Star Channel capability for basic skills and apprenticeship-related competencies.
- 70 Include the 54 area Vocational Education Centers in KERA’s Kentucky Educational Technology Systems.

# INVEST IN OUR FUTURE



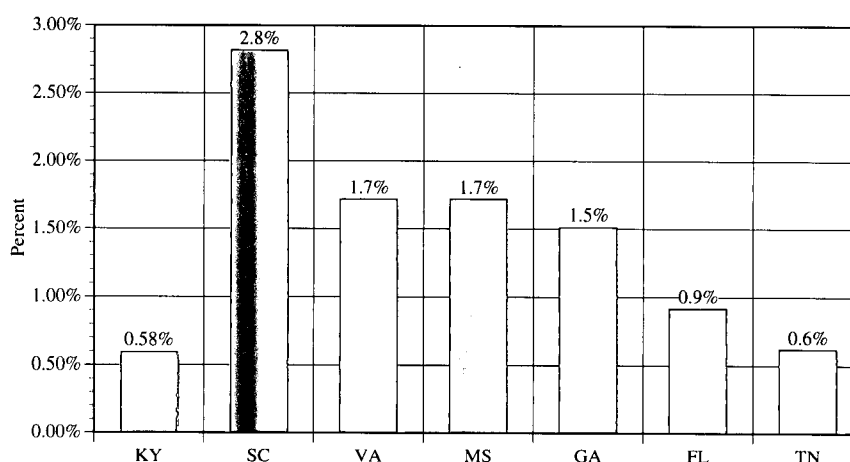
OUR WORLD IS CHANGING RAPIDLY. IN THE BLINK OF AN EYE, an image can be transmitted to space and back via global communications satellites. Microwave connections can link isolated areas more economically and with greater capacity than more conventional telecommunications services that transmit messages by wire. Five megabyte hard drives, once state-of-the-art, are now passe. The challenging, technological race toward the 21st century is on. How can Kentucky keep up and draw ahead?

The Commission is challenging the Governor, the General Assembly, state employees and citizens to join the effort to change our government's way of thinking, planning and operating. What then is the important link that will allow us to make these radical, fundamental changes? As newly-evolved strategic thinkers we should look to technology, suggested in *Reengineering the Corporation*, as "the essential enabler," the key to the success of our action plan for government. Technology is the powerful tool that will help us implement our action plan, improve communication between citizens and state government, speed the process of delivering quality services and make information available to the public in a timely and less costly manner.

Taxpayers are increasingly demanding a more responsive, efficient



## KENTUCKY'S INVESTMENT IN INFORMATION TECHNOLOGY AMONG THE LOWEST IN THE REGION



Source: Information Resource Management Review and  
Office for Policy and Management

government. They are frustrated every time they call a state agency and are transferred many times before getting the department, much less the information, they need. Citizens are tired of going through 11 steps and obtaining multiple licenses before they can start a new business in our state. Taxpayers are angry as they watch their hard-earned tax dollars poured into the black hole of state government and can see no return on their investment . . . only hearing threats of additional taxes. Kentucky government must respond to their call.

Since the 1960s, when computer systems took up whole floors in buildings, through the 1990s when a computer can be held in our hand, government has used information systems to carry out its work. Imagine the complaints if the state park system had no automated reservations system. Imagine the chaos if the state police and emergency personnel had no radio and data communications systems during a tornado. Imagine the breakdown in service if the central accounting system had no mainframe computer.

Information systems and equipment are scattered haphazardly throughout Kentucky government, thrown at isolated problems and are not working in unison. These partially-implemented systems are intermingled with redundant information that is still manually recorded on paper using multiple entries, even though existing technology allows us to send information around the world instantaneously.

Kentucky government is buckling under the volume of information it processes. Not only are office walls lined with rows of file cabinets and boxes, but the state Department of Libraries and Archives is bursting at the seams with the documents it stores. Kentucky government's aging, plodding departmental computers are like dinosaurs in the age of the space shuttle. Even the parts used to repair them must be scavenged from computer boneyards.

In an era when a tiny computer chip can store or process millions of bits of information that would make our work easier, state agencies still pencil-in entries on reports and send memos by messenger mail. Despite the availability of

these technological tools, Kentucky government is falling behind other states in its investment in technology. In fiscal year 1992, Kentucky's investment in technology and telecommunications was the lowest in the Southeast at 0.58 percent of the budget.

Before our government can make an investment in change, we must first understand just how technology can make our work easier. We must breakdown our paradigms about the appropriate use of technology in government. In *Reinventing the Corporation*, Hammer and Champy note: "Technology allows us to break the rules that limit how we conduct our work." They point out some of the old rules that technology invalidates:

- *Old rule — Information can appear in only one place at one time*  
*New rule — Information can appear simultaneously in as many places as it is needed*
- *Old rule — Field personnel need offices where they can receive, store, retrieve and transmit information*  
*New rule — Field personnel can send and receive information wherever they are*
- *Old rule — You have to find out where things are*  
*New rule — Things tell you where they are*

Like a wizard, technology breaks the rules that limit us, allowing us to "journey from the familiar to the unknown," even in our daily work. Almost magically, technology can be a tool that empowers employees to better meet the needs of citizens.

Consider this example: when starting a business, potential entrepreneurs could relay information to the Economic Development Cabinet. Using today's technology, Cabinet staff can enter the information onto a computer form that can be instantly transmitted to other agencies. Often, government cannot eliminate many of the steps in this or similar processes due to laws or regulations. In this example, however, technology enables us to see a new solution to a pervasive problem, transmitting information using technology rather than dinosaur mail.

The Commission believes it is time for the citizens of the Commonwealth to invest in a better future for our state — and see a return on their investment. Kentucky should invest in information technology that improves the quality of life, quality of service and helps government operate more efficiently. This investment by government will require a strong, yet flexible governance structure, strategic planning initiatives, consolidation of redundant networks and the ability to access information effortlessly.

### Improve governance of information

How will Kentucky government plan and direct this investment in our future? During the 1980s, our government took two important steps in constructing the framework for the governance of information technology. In 1982, the Department of Information Systems (DIS) was created to provide leadership, policy direction and technical support to all executive agencies of state government, centralizing the responsibility for information processing and preventing the proliferation of expensive, incompatible mainframe computers and systems.

Not long afterward, the Kentucky Information Systems Commission (KISC) was established as an independent agency of state government responsible for formulating a statewide information resources management plan. KISC, however, has never had a permanent staff as called for in enabling legislation. KISC staffing has been provided by employees of DIS, the very staff responsible for the "rowing" duties of the state's information processing.

KISC's responsibility for creating a vision and strategic plan for technology and DIS's responsibility for technology leadership, policy direction and technical support have become intertwined. The policy-maker has become the administrator, service provider and regulator of the state's information, creating a disturbing conflict of interest. To develop an effective information technology program, the state needs to separate its steering from its rowing functions.

The lack of strategic planning that is pervasive throughout state government in all cabinets and programs extends to planning for technology. To ensure that strategic planning for technology is effective, our leaders must first understand the state's vision. A missing link in this planning process has been cabinet-level, executive understanding, commitment and involvement. It is critical that upper-level management and line employees alike be educated and trained in the capabilities and use of technology.

Strategic planning for technology must be integrated in the state budgeting process. Often the information resource plans that do exist are not tied to performance measures, nor is there accountability for expensive investments in technology. To elevate and emphasize the importance of planning for technology, the Commission has recommended that KISC be administratively attached to the Governor's Office for Policy and Management. At this level, the state's chief information officer can direct that planning and budgeting for technology are integrated and coordinated throughout state government, avoiding costly duplication of equipment and services.

During the strategic planning process, agencies should be organized and staffed to relate agency goals and objectives to specific technological needs. Each agency should establish a strategic technology planning team consisting of management, a business analyst and various agency representatives. This team should take the lead in preparing the information resource plan, concentrating on program needs designed to meet specific objectives versus specific hardware requirements.

Critical to the success of a comprehensive, unified information plan for state government are teamwork and sharing. Agencies must get on the same wavelength. Technological boundary lines between agencies can no longer be drawn in the dust — not in a time when technology can link all state agencies, allowing employees to respond to the growing call for a more efficient, effective government.

### **Recommendation**

The Commission recommends that Kentucky:

- 71 Change the responsibility for information leadership from DIS to KISC

and designate the executive director of KISC as chief information officer of the state. To ensure the success of a comprehensive, unified information plan for government, the state must:

- *Create a separate information support organization within every agency*
- *Provide funding for technology research, creating specific incentives for agencies to fund this research and develop new technology applications through pilot programs and partnering ventures*
- *Issue a formal policy reemphasizing the importance of information sharing in both the planning and design of new information systems through enterprise data modeling*

72 Create and implement an information resource planning process that will include the following:

- *Outcome measures or critical success factors*
- *Require program evaluations of actual versus expected results*
- *"Off-year" evaluation reviews of agency plans*
- *Benchmarking to ensure that system design and software are meeting desired performance criteria*

73 Transfer the Division of Telecommunications in the Department for Facilities Management to DIS.

### Information sharing and access

Responding to citizens' cries for information and timely service is a difficult undertaking for lumbering bureaucracies when more often than not, the services government provides cut across agency lines. Many times our own employees, much less our citizens, do not have access to information they need.

In sluggish bureaucracies, there are numerous roadblocks that impede teamwork and communication necessary to work efficiently. Agencies are isolated, operating behind invisible walls without important linkage to other areas of state government, much less the customers they serve.

These walls create boundary lines . . . lines that control by limiting access to information . . . lines that define and protect turf . . . and lines that maintain the status quo. Because there is little focus on a broad mission for Kentucky government, agencies operate within these invisible boundaries, taking circuitous paths to the same destination, wasting time and money in the process. Because there is limited access to information, work is duplicated and important information is delayed, missing or impossible to retrieve.

Since the purchase and use of technology has not evolved from a comprehensive information

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*"If you are not familiar with where the information is located or the process of determining who has it and how to obtain it, it is like trying to find a needle in a haystack . . . guess who pays for the time it takes to find the information or the cost to recreate it?"*

Employee Survey Response

resources plan, many roadblocks to information sharing and access have developed including:

- *14 different data networks*
- *Numerous departmental computer systems*
- *Incompatible equipment*
- *Duplication of work*
- *Technology tools unavailable to those who need them the most*
- *Lack of training*
- *Cultural roadblocks — outdated ways of thinking about work*
- *Lack of teamwork, sharing and communication between agencies*
- *Absence of a mechanism for cataloging and locating the state's information resources*

These roadblocks translate into more than just a list. Their effects are staggering:

- *Kentucky spends an estimated \$7 to \$8 million per year to store documents.*
- *Kentucky spends \$7 million per year on copiers and copy paper.*
- *Tax records are stored at least one mile from the closest possible user of these records, wasting time and money.*

Despite the promise of technology, few agencies have explored innovative technology such as document imaging to attack Kentucky's growing mountain of paper. State government, instead, still uses obsolete computer output microfiche to distribute computer-generated information to field workers and to store archival information.

The signals are clear. Kentucky government must rid itself of these costly roadblocks by building an integrated, statewide backbone communications network, establishing standards to ensure the appropriateness and compatibility of equipment and adopting innovative technology such as document imaging.

Taxpayers complain that state government is slow to respond to their requests for information and service. Information-intensive businesses must be able to get data they need quickly, benefiting their business and ultimately the state. Other states have responded to the need for information by placing kiosks in shopping centers and malls to provide citizens with easier access to information about government services, including job matching. Some states use beepers to track prisoners on early parole, reducing overcrowding in state prisons.

Like other states, Kentucky must begin to make the changes necessary to meet the rising public demand for more effective service and smaller government bureaucracies.

### **Recommendations**

The Commission recommends that Kentucky:

- 74 Build an integrated, statewide backbone communications network, eliminating redundancy and connecting multiple data networks. Require agencies to develop strategic plans for improving the penetration of new technology into field offices.

75 Improve information sharing and access for public employees and Kentucky citizens by:

- *Developing and issuing formal procedures for sharing information between state agencies*
- *Developing and implementing a shared Data Repository or Data Locator to allow employees and citizens to determine what information is available*
- *Transferring the responsibility for coordinating all technology-related training to DIS*
- *Designating the Department for Libraries and Archives as the official point of access into state government information by private citizens.*
- *Reassessing the state's videotext information delivery system and either publicize it more aggressively or replace it with a microcomputer-server providing similar functionality.*

76 Investigate and adopt innovative, state-of-the-art technology to improve service and enhance employee efficiency. To begin this process the state must:

- *Investigate the potential uses of document imaging technology*
- *Replace aging COM operations with a modern optical disk storage system*
- *Initiate a pilot project to utilize electronic mail and electronic calendaring between staff members, cabinet secretaries and other state government executives*
- *Ensure that the state's network provide dial-up access as one of its fundamental services to provide easy access for employees, such as field auditors who may be using portable computers*
- *Conduct a study of "electronic data interchange" by requesting that DIS, the Division of Purchases and other appropriate agencies begin a pilot project testing the feasibility of this technology*
- *KISC and DIS should investigate the inclusion of work flow automation capability in the state's information architecture*

77 Monitor the Tourism Cabinet's electronic kiosk project and encourage additional projects to place general purpose information kiosks in public places.

### **Integrate communication networks**

Kentucky is a state of highways. Our first highway builders were Indian tribes who traveled to Kentucky seeking bountiful game. Then came pioneers, blazing trails in their search for adventure, fortune or a new way of life. These pathways have brought visitors who share our stories of Daniel Boone, Abraham Lincoln and My Old Kentucky Home. These roads have been vital to the economic growth of Kentucky.

In the 20th century, however, not all roads are constructed of asphalt, gravel or concrete. Rather, they are electronic pathways that will be the final links to development and prosperity for the citizens of Kentucky. When completed,

these information highways will have a profound effect on our state. Fiber optic networks will become pathways to better medical care, linking super computers to isolated hospitals for services such as anatomical mapping of patients. Radio networks will link the Kentucky State Police, the Transportation Cabinet and the Kentucky Emergency Warning System, all agencies and services vital to the safety of Kentuckians. When classrooms and teachers are miles apart, communication networks will magically unite them. These networks can also help state agencies work more efficiently and provide better service to citizens.

The current structure of communication networks, however, creates significant inefficiencies, wastes money, slows service and even endangers the lives of Kentuckians. The state operates redundant communication networks such as the separate, leased-line networks used by the Department for Information Systems, the Transportation Cabinet and the Kentucky Lottery. Voice networks that use microwave link the same cities as data networks. Interactive video conference sites connect some of the same cities as data and voice networks. In addition, each of the agencies involved in network management maintains a separate office, wasting money and duplicating service.

Kentucky's growing communication needs are beyond the capacity of existing networks. Many agencies are planning or have already installed a number of Local Area Networks that are not connected to central computing resources. The increasing use of interactive video is also increasing the need for capacity in leased lines. As in other areas of our lives, state government must plan for the growing telecommunications needs of our state.

In 1920, Kentucky failed to fund a bond issue for construction of roads into isolated areas. It wasn't until the 1950s that interstate highways connected Eastern Kentucky with the rest of the state, a significant step toward economic growth and development. In 1993, Kentucky again has the opportunity to complete highways—communication highways that will blaze a secure path into the 21st century.

### **Recommendations**

The Commission recommends that Kentucky:

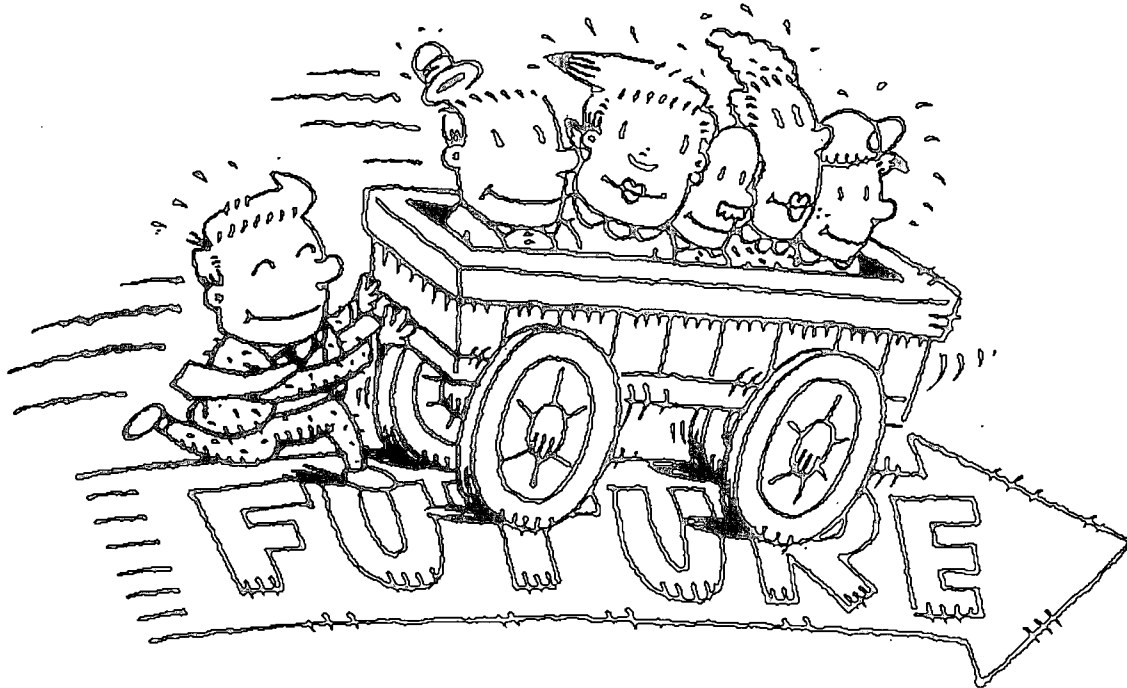
<sup>78</sup> Continue development of the integrated communications backbone network and add intrastate long-distance voice traffic to it.

<sup>79</sup> Consolidate network management and operations.

*“Our task is not to fix the blame for the past, but to fix the course for the future.”*

President John F. Kennedy

## THE PATH TO THE FUTURE



Ours is not the first report to sound the alarm for Kentucky's government. *The Report of the Efficiency Commission of Kentucky* (1924) . . . *Kentucky Designs for Her Future* (1945) . . . *Kentucky on the March* (1949) . . . *Reports of the Committee for Kentucky* (1950) . . . all called for significant change. In fact, many of their recommendations are the same as those the Governor's Commission on Quality and Efficiency is proposing in 1993.

We can't help but wonder where Kentucky would be today if the state had instituted real reform when those reports were issued, rather than allowing them to collect dust on the shelf. While it's too late to linger over what might



have been, we can learn from our past mistakes. And the lesson here is that the best report in the world is not worth much if it's not implemented.

That's why our Commission is not willing to stop at the publication of

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*"Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever does."*

Margaret Mead

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*Wake-up Call for Kentucky.* We listened closely to the words of the state's Historian Laureate, Dr. Thomas Clark, who told us, "Other Commissions have failed in the past. This Commission must not fail." We are committed to making this a living document that will guide public debate, set public policy and produce permanent change.

Our report is just the first step. It represents the best efforts of 55 public and private Commission members with different backgrounds, interests, talents and constituencies, joined by a

common concern for our state. Based on our investigations and analyses over the last several months, we have endorsed more than 270 recommendations highlighted here and detailed in our issue papers.

Not all of us support every recommendation in this report, yet we all agree that the issues raised here warrant submission to the Governor, General Assembly and citizens of Kentucky. We realize that the Commission is not a policy-making body, but an independent advisory group. Our goal is to provide a beacon for improvements in Kentucky over the next decade and to act as a lever to transform ideas of how to make government better into public policy.

Implementation is the hard part. Some of the recommendations are controversial. Some require the backbone to take risks that are potentially damaging to a political career. Some demand that the state's public managers and employees adopt a new way of thinking and working.

For every recommendation we have put forth, the forces against change will organize in opposition. The lobbyists, special interest groups and single-issue campaigns are experienced and effective in making their voices heard. Those of us who support government reform are often not sure what the issues are, don't know how to express ourselves, doubt our ability to make a difference and give up before we've even started.

It is easy to understand why the system has been resistant to change. The only way to overcome this built-in tendency is to apply pressure from outside — because when the people speak, elected officials listen. Just look at what our leaders were able to accomplish in the last legislative session as a result of public outcry over the political process:

- *Campaign finance reform. Kentucky has changed the way campaigns will be run forever by limiting the amount of money candidates can raise. This removes the pressure for constant fund-raising and alleviates public suspicions of politicians' obligations.*
- *Gubernatorial succession. For the first time in history, a Kentucky governor can serve two consecutive terms. Succession allows an administration the continuity necessary to sustain initiatives—and makes the executive branch accountable for its performance.*

◦ *Limits on political influence. The politics have been taken out of key functions to ensure responsible stewardship. The secretary of the Economic Development Cabinet is now an employee of the governing board, rather than an appointee of the Governor. Members of university boards are no longer appointed by the Governor, but selected by an independent screening committee.*

Kentuckians who support change must communicate their message to the state's elected leaders. To reinforce the process, our Commission proposes a series of activities to keep government reform in the public eye and on the public agenda.

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*"Only lay down true principles, and adhere to them inflexibly. Do not be frightened into their surrender . . . "*

#### Recommendations

Thomas Jefferson

The Commission recommends that Kentucky:

§0 Publish an annual report to the citizens of the Commonwealth that measures government's performance. The report shall be based on previously established and communicated goals.

§1 Reconvene the Commission on Quality and Efficiency in one year to evaluate the progress on implementing the Commission's recommendations. The evaluation shall include a concise report that outlines which recommendations have been implemented, which are in the process of being implemented, which have been rejected and what alternatives have been substituted.

§3 Establish an on-going, non-partisan, private-sector-driven process, led by the Center for Public Issues, that supports debate, challenges government to improve and, most importantly, recognizes excellence in employees and agencies that meet or exceed program standards. The progress of the Quality and Efficiency Commission's recommendations should be monitored during this process.

#### TAKING RESPONSIBILITY

#### IMPLEMENTATION BELONGS TO EVERYONE

In the spirit of cooperative and progressive reform, the Commission offers the following challenges to our elected officials, public employees and our citizen-colleagues:

#### CHALLENGE 1

##### To Governor Jones, Future Governors and To Executive Branch

**Leadership** — Managing change is a top-down, bottom-up process, requiring serious study, hands-on steering and continuous course correction. The ship of state requires your hands-on influence and personal commitment to implement an on-going strategic planning effort focused on measuring taxpayer value. It requires your bully pulpit to champion the culture changes we advocate here.

## **CHALLENGE 2**

**To Members of the Legislature** — Many of our most far-reaching recommendations require legislative action to succeed. The Commission urges members of the General Assembly to carefully and thoughtfully evaluate what we offer in this report. Sooner or later — the sooner the better — these recommendations will come to pass. This is your opportunity to take bold, decisive action to reform state government.

## **CHALLENGE 3**

**To State Employees and Managers** — This report offers liberating and stimulating opportunities for public employees. It encourages managers to leave behind the 1950's industrial model of command and control, and to instead embrace the model of trust and lead. It encourages employees at every level to challenge the status quo.

But with this opportunity comes responsibility; the responsibility to prove your competence. This is your chance to seize the moment, to change worn-out paradigms and perceptions and bring about a renewed respect for the profession of public service.

## **CHALLENGE 4**

**To Private Sector Leadership** — You often complain about government waste. You may even have a cynical view of efficiency reports like this one. But the basic management issues addressed here are best understood by you. Some view them with little interest, especially those with a predisposition for policy matters. So don't abdicate. Recognize that apathy sets in over time in government as in business. You must be the catalyst that precipitates change.

## **CHALLENGE 5**

**To the Media** — Chronic failures of management systems don't make front-page news; admittedly, they don't generate reader interest like the latest political controversy. Meaningful reforms like KERA risk setbacks if we don't improve government productivity. The Commission urges the media to immerse themselves thoroughly in studying these recommendations, informing the public about the issues and generating public debate.

## **CHALLENGE 6**

**To Citizen-Customers and Taxpayers** — The Commission asks you to remember that government is only a reflection of what you expect it to be, what you demand it to be, as well as what you have accepted it to be over time. While government can and should do more, it cannot solve all of our problems. The Commission challenges you to become active participants in building the vision of a more efficient, effective government.

It is our hope that this report will serve as a beacon, leading each of us to a new level of thinking; while recognizing at the same time that our government, though imperfect, has served us richly and well for more than 200 years. Our mission is to respect that heritage and to work passionately and tirelessly to improve it.

# RECOMMENDATIONS

## FISCAL IMPACT, 1995-99

(Millions of Dollars)

The savings listed below are based on five-year projections and represent all funding sources including: the General Fund, Road Fund, restricted agency funds and federal funds. Although some recommendations do suggest additional staffing resources, issue papers specify that qualified staff be reassigned internally to avoid a net increase in state government personnel. The Commission recognizes that additional training will be required.

Issue papers referenced below are bound in seven volumes by work team including: Fiscal Management (FM), Government Operations (GO), Human Services (HS), Personnel (PE), Public Safety (PS), Technology (IT) and Workforce Development (WF). These volumes may be requested by calling (502) 564-2576 or writing The Governor's Commission on Quality and Efficiency, Berry Hill Mansion, 700 Louisville Road, Frankfort, KY 40601. A nominal fee for printing and postage may be required.

*Savings      Investment*

### EMPOWER OUR EMPLOYEES

#### Build Our Personnel Systems for Results

GO18.02	Relax the employment cap as it applies to the Attorney General and enable the Attorney General to bring certain contracted legal services in-house.	3.5	cbe
PE03.03	Delegate approval authority for personnel actions to the employing agency whenever possible.	na	na
PE03.03	Computerize basic employee data, such as telephone address, number, name, shift codes, etc., provide personnel administrators with direct access to data.	cbe	cbe
PE03.03	Examine personnel information managements system in other agencies to identify and eliminate duplication.	na	na
PE03.05	Address staffing shortages in the Benefits Administration Division and the Employee Services Division through reallocation of staff.	na	na
PE03.05	Establish central personnel offices in the Public Protection and Regulation and the Education, Arts and Humanities Cabinets to coordinate human resources issues.	cbe	cbe
PE03.07	Establish a new Personnel Management Cabinet.	0.0	0.8

cbe= cannot be estimated

na= not applicable- recommendation improves effectiveness or quality

		<i>Savings</i>	<i>Investment</i>
PE03.07	Place agency personnel administrators and their staffs under the auspices of the new Cabinet for Personnel Management.	na	na
PE04.02	Establish an ad hoc work team to draft new personnel management policies and procedures.	na	na
PE04.04	Limit the Personnel Board's regulatory authority to the appeals process.	na	na
PE04.04	Train personnel administrators in every agency to ensure consistency of interpretation and application of Personnel Cabinet policies and procedures.	na	na
PE04.04	Authorize the Secretary of the Personnel Management Cabinet to implement up to three pilot programs that are exempt from KRS. 18A and related administrative regulations.	na	na
PE05.02	Prepare new, general administrative regulations that incorporate a new policies and procedures manual.	na	na
PE05.02	Activate and expand personnel council to include small agencies.	na	na
PE05.02	Train managers in areas such as equal employment opportunity and the Americans with Disabilities Act.	na	na
PE06.02	Establish a single personnel system.	cbe	cbe
PE07.01	Freeze and abolish current and future vacancies that are not considered critical or high turn-over positions and re-engineer those jobs.	291.1	0.0
PE07.05	Develop a method for hiring new talent into state government.	na	na
PE07.05	Retrain staff and award pay increases to job holders whose positions receive added duties from re-engineering process.	0.0	58.2
PE07.06	Create a "conditional employment" category where employment would be based upon continued funding or need for services.	na	na
PE07.06	Develop a means to relocate staff, with the understanding that the transfer is for administrative purposes, not punitive purposes.	na	na
PE07.06	Implement a voluntary and temporary employee rotation program.	na	na

cbe= cannot be estimated

na= not applicable- recommendation improves effectiveness or quality

		<i>Savings</i>	<i>Investment</i>
PE07.06	Replace the personnel cap imposed by the legislature with a budget driven system. Require agencies to reduce state employment through work process and job reengineering over a period of four years.	na	na
PE07.07	Require agencies to streamline their hiring process.	cbe	cbe
PE07.07	Allow agencies with high turnover in specific classes to appoint as many employees as needed from a single register certificate.	cbe	na
PE07.08	Reduce the number of test centers from 15 to no more than six.	0.1	0.0
PE07.08	Develop a system for determining which vacancies are going to be filled and test for those vacancies.	na	na
PE07.11	Modify the computer system to allow agencies to change addresses, birthdates, social security numbers, names and shift codes automatically. Require all agencies to use the Express P-1 system for personnel transactions.	na	na
PE07.14	Certify applicants that score in the top ten scores.	na	na
PE07.14	Continue to award five and ten veterans preference points but make the maximum score for all registers 100 points.	na	na
PE09.01	Gather turnover statistics by class to determine which classes have a high turnover rate.	na	na
PE24.01	Mandate conflict management training for supervisors and managers.	na	na
PE24.01	Use a peer-review dispute resolution process.	na	na
PE24.02	Establish a Department for Employee Relations in the Cabinet for Personnel Management.	cbe	cbe
PE24.02	Establish an Internal Communications Office in the Department for Employee Relations.	na	na
	<b>Subtotal</b>	294.7	59.0

cbe= cannot be estimated

na= not applicable- recommendation improves effectiveness or quality

		<i>Savings</i>	<i>Investment</i>
<b>Reform Classification and Compensation Systems</b>			
GO18.04	The Cabinet for Personnel Management should broaden significantly the compensation ranges available within attorney categories to allow for recruitment and retention of more experienced attorneys.	na	na
PE01.16	Move from a defined benefit to a defined contribution program for new state employees.	3.8	0.0
PE02.03	Expand the mission and role of the Department of Personnel.	na	na
PE17.03	Develop a new standard for job classes and flatten the classification system.	cbe	na
PE17.05	Develop minimum job requirements for highly technical non-merit jobs.	na	na
PE18.04	Implement broad-banded pay schedules to complement a flatter classification system.	na	na
PE18.04	Separate highly technical and professional jobs from the standard classification system.	na	na
PE19.07	Consider expanding flex time opportunities.	na	na
PE19.07	Review insurance programs and consider the possibility of adding disability coverage.	na	na
PE20.03	Increase the scope of flexible benefit plans.	na	na
PE20.03	Improve communication about flexible spending accounts.	na	na
PE20.03	Conduct a staffing needs assessment of the Insurance Administration Branch.	cbe	cbe
PE22.01	Offer early retirement to those employees willing to purchase enough service credit to receive full retirement benefits. Employees may use accrued annual and compensatory leave to purchase service credits.	19.5	0.0
PE21.01	Merge administration and support services of the Kentucky Employees Retirement System, the County Employees Retirement System, the State Police Retirement System and the Teachers Retirement System.	9.5	0.0
<b>Subtotal</b>		<b>32.8</b>	<b>0.0</b>

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		<i>Savings</i>	<i>Investment</i>
<b>Provide Training and Development</b>			
PE08.01	Mandate manager training in managing diversity.	na	na
PE08.01	Assign an additional professional level employee in the state EEO Coordinator's Office for recruitment purposes.	na	na
PE08.01	Monitor advancement opportunities for women and minorities and set goals and timetables for success.	na	na
PE08.02	Develop a voluntary mentorship program to provide development opportunities.	na	na
PE08.02	Ensure the support of top management for aggressive affirmative action efforts through annual planning goals, objectives and performance measures.	na	na
PE11.01 & PE11.04	Require all Executive Branch managers to attend required training programs.	na	na
PE11.04	Establish a clear definition of 'manager' and determine human resource issues for which managers will be held responsible and accountable.	na	na
PE11.05	Involve representatives of the Personnel Board and private companies in management training policy development and content review.	na	na
PE12.01	Develop training in standard team problem-solving techniques.	na	na
PE12.02	Improve needs assessment process both generally and with regard to development of individual employee training plans.	na	na
PE12.02	Clarify and publish training policies that encourage employee development and involvement at all levels.	na	na
PE12.03	Develop an electronic records management system to track in-house training resources.	0.1	0.1
PE12.03	Allow employees to attend state-supported schools in addition to Kentucky State University.	na	na
PE13.02	Expand the Governmental Services Centers staff and fiscal resources to fulfill all elements of its mission.	0.0	6.2
PE13.05	Attach the Governmental Services Center to the new Cabinet for Personnel Management.	na	na

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		<i>Savings</i>	<i>Investment</i>
PE13.05	Create alternatives to standard classroom delivery and increase the availability of programs in Frankfort and the field.	na	na
PE13.06	Expand the Governmental Services Centers mission to include education for job reengineering efforts.	na	na
PE14.02	Transfer computer training services training staff and equipment to the systems training branch at Department of Information Services.	na	na
PE14.02	Increase scope of and sources for computer training.	na	na
PE14.02	Devise a plan to identify training needs during the purchase, recommendation and approval process for systems with statewide applications.	na	na
PE15.01	Establish a new employee orientation framework for agencies to follow.	na	na
PE15.02	Provide new employees with information that communicates the agency's direction and purpose.	na	na
PE16.04	Change the focus of the current employee suggestion system to provide a more receptive framework for employee suggestions.	26.1	0.0
PE16.04	Hold managers accountable for annual participation objectives of the employee suggestion system.	na	na
	<b>Subtotal</b>	<b>26.2</b>	<b>6.3</b>
<b>Recognize Empowered Employees</b>			
PE10.01	Implement a flexible promotional program across state government.	na	na
PE10.02	Reinstitute the JOB Bank with modifications.	cbe	cbe
PE23.03	Establish pay for performance for individuals and groups.	cbe	cbe
PE23.03	Reorganize the Department of Personnel to establish and staff Employee Evaluation Branch.	na	na
PE23.03	Use "Peer Review" procedures for disputed evaluation cases.	cbe	cbe
PE23.03	Evaluate employees once a year rather than twice and develop a new evaluation tool.	na	na

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		<i>Savings</i>	<i>Investment</i>
PE23.03	Change name of the employee evaluation system to "Performance Planning and Development Program."	na	na
PE23.03	Remove current evaluation system from law and mandate that Secretary of Personnel Management implement a standard evaluation system for all employees.	na	na
	<b>Subtotal</b>	0.0	0.0

## THINK AND PLAN FOR RESULTS

### Planning Strategically

FM02.07	Implement an integrated strategic planning/performance-based budgeting process which will ensure that appropriation decisions are consistent with the state's strategic plan.	na	na
	<b>Subtotal</b>	0.0	0.0

### Results-oriented Budgeting

FM03.04	Adopt a performance-based budgeting process for resource allocation that is directly linked to the state's strategic planning process.	na	na
FM03.15	The task force on performance measures should identify the revenues and expense data required to support the analysis and evaluation of the approved agency/program performance indicators.	na	na
FM03.18	Establish a "rainy day" fund of approximately five percent of the General Fund.	na	na
FM03.18	Develop micro databases for personal and corporate income taxes.	na	na
FM03.21	Use a legislative and executive consensus forecast for revenue estimating.	na	na
FM03.21	Require base-level reviews of major programs every three to five years.	na	na
FM03.21	Develop micro simulation models for personal and corporate tax similar to the macro model now employed by the state.	na	na
	<b>Subtotal</b>	0.0	0.0

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		<i>Savings</i>	<i>Investment</i>
<b>Managing Our Money Wisely</b>			
FM04.02	Use the STARS system for due date processing and mail checks from Treasury.	na	na
FM04.02	Require direct deposit for employees pay grade 12 (or the equivalent) and above and discourage distribution of pay checks before noon on payday. Track checks that are cashed early and notify agencies that abuse the system.	0.2	0.0
FM04.03	Require electronic funds transfer for withholding and sales/use tax returns for taxpayers paying over \$200,000 yearly.	na	na
FM04.03	Reengineer and automate front end processing of documents entering the Revenue Cabinet and activate microfilming at the Cabinet level to achieve same day deposits.	9.3	5.0
FM04.03	Study regulations that impede the microfilming process. Make arrangements for night deposits. Stop routing checks through Treasury Department.	na	na
FM04.03	Send mailing labels rather than envelopes with tax returns.	na	na
FM04.04	Purchase the software for pooling of funds to capture and deliver necessary data and required details on a timely basis.	15.0	0.1
FM04.04	Stop sending tax returns and tax packets to taxpayers who have their returns prepared by someone else.	na	na
FM04.04	Require sheriff departments to remit payments every two weeks.	1.2	0.0
FM07.15	Design and implement systems and processes for measuring the costs of revenue generation.	1.4	0.1
FM08.02	Develop a one-page Kentucky tax return.	14.0	0.0
FM08.02	Increase tax compliance by cross reference of property tax, motor vehicle and federal systems.	cbe	cbe
FM08.02	Develop a better non-resident and non-filer system.	cbe	cbe
FM09.01	Move the property tax collection from the sheriff to the Revenue Cabinet and allow all delinquent property tax collection to be a function of the Cabinet.	55.5	3.2

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		<i>Savings</i>	<i>Investment</i>
FM09.02	Require all agencies collecting receipts to remit funds as early as feasible.	cbe	cbe
FM09.02	Consolidate the elective PVA offices into 40 or 50 regional offices.	23.4	0.0
FM10.02	Add 14 permanent employees to the Department of Collections. Obtain loaned employees to take care of the backlog.	93.3	4.9
FM10.02	Use Higher Education Assistance Authority to assist in collections or contract collections to another collection service.	na	cbe
FM10.02	Develop an automated system to collect delinquent taxes and have an efficient compliance program.	0.0	15.5
FM10.05	Accelerate the date the property escheats to the state to five years. Raise the \$25 floor on advertising to \$100. Eliminate claimants advertising.	5.5	0.0
FM13.10	Eliminate restricted agency funds. Transfer revenue collected by agencies to the General Fund.	na	na
FM13.11	Develop one standardized, automated methodology for allocating overhead costs.	na	0.1
GO02.04	The Finance and Administration Cabinet should review, update and implement the 1987 automated purchasing study.	25.2	1.0
GO02.05	The Small Purchase Authority Limit for all agencies still set at \$1,000 should be raised.	na	na
GO02.05	When automation is in place, the legislature should eliminate the small purchase authority as set out in KRS 45A.100 and enact new law directing the Finance and Administration Cabinet Secretary to set small purchase authority limits.	na	na
GO02.07	The Finance and Administration Cabinet should mandate a review of its own procurement regulations.	cbe	cbe
GO04.01	Develop guides for foundations and private non-profit corporations that fund state agency activities.	na	na
GO05.02	Repeal KRS 45.313 which establishes the level at which fixed assets are tracked. This level should be increased from \$100 to \$500.	cbe	cbe
GO06.03	Increase the state's use of the lease/purchase option.	cbe	cbe

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		<i>Savings</i>	<i>Investment</i>
GO06.03	Mandate the use of standards for space needs as developed by the Department of Facilities Management.	na	na
GO06.03	Reduce leased space utilization by 15 percent consistent with the planned downsizing of state government.	16.2	na
GO07.02	Conduct a comprehensive economic impact study of the "Extended Weight Haul Road System" on the coal producing economy of the state.	55.5	cbe
GO07.02	Require coal producers to install weight scales at the point of loading and require certified weigh tickets for each truck.	na	na
GO08.02	Require that each state agency publication be supported by a needs assessment document approved at the secretary or commissioner level.	6.8	0.0
GO08.02	Require that each agency maintain a separate mailing list for each publication and purge it biennially.	na	na
GO09.03	Design a system that will accommodate the design-build approach and the traditional approach for construction projects.	15.0	0.0
GO09.04	Evaluate and determine the most appropriate and beneficial approach for all construction projects on a case-by-case basis.	na	na
G011.03	Revise copier procurement practices and require that agencies purchase copiers consistent with their needs.	8.8	na
GO14.01	Arrange for a "ghost" credit card for use by state agency when purchasing airline tickets.	0.1	0.0
GO14.01	Issue a request for proposals from travel agencies to manage travel for state employees.	0.2	0.0
GO14.03	Issue a regulation that requires state employees to use any frequent flier credits obtained through state travel on future state travel.	na	na
GO15.04	Implement a low cost/no cost program to reduce the cost of energy to the Commonwealth.	na	na
GO15.04	Implement an energy improvement program for existing and newly acquired buildings.	20.0	0.0
GO16.08	Establish uniform budgetary and operating procedures for boards and commissions.	na	na

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		<i>Savings</i>	<i>Investment</i>
GO17.03	Send each citizen a report card on government's cost reduction performance.	na	cbe
GO17.03	Publicize each agency's improvement ideas and encourage competition among the agencies to save taxpayers' money.	na	na
GO18.05	Allow the Auditor of Public Accounts flexibility in applying the personnel cap to allow the Auditor to provide more service to state agencies at a lower cost.	0.6	0.0
GO19.03	Eliminate "right of first refusal" for the Department of Information Services to perform computer oriented development work for state agencies.	na	na
GO19.04	Require that the Department of Information Services compile, maintain and make accessible to all state agencies a current listing of software applications in use and being developed.	na	na
IT06.02	Contract with a private firm to review the state's monthly telephone bills.	2.5	0.0
IT06.03	Use electronic fund transfers to pay phone bills.	3.0	0.0
FM13.10	Cease the practice of interagency billings.	na	na
	<b>Subtotal</b>	<b>372.7</b>	<b>29.9</b>
<b>Making Our Systems More Efficient</b>			
FM11.05	Reassess the capabilities of the central accounting system and its interfaces with other major systems and redesign the interfaces as necessary.	0.0	1.0
FM11.06	Train agency personnel in the capabilities of the central accounting system.	na	na
FM12.09	Streamline the process of issuing checks from the State Treasurer.	6.7	0.0
FM12.11	Eliminate the use of imprest cash.	na	na
GO10.03	Implement an accounting system to identify for agency managers the cost of mail messenger and courier services.	na	na
HS05.02	Reorganize the management of Cabinet for Human Resource's information unit and elevate it to a departmental level.	na	na

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		<i>Savings</i>	<i>Investment</i>
HS05.09	Implement TWIST - a statewide case management system - as described in the 1994-96 Information Resources Plan.	20.8	20.4
	<b>Subtotal</b>	27.5	21.4
<b>Reorganize Government</b>			
GO12.08	Create a Finance Cabinet.	na	na
GO12.10	Place the administrative functions now in the Finance and Administration Cabinet into a new General Services Cabinet.	na	na
GO12.10	Centralize the administrative functions in the Public Protection Cabinet.	0.8	0.0
GO12.01	Create a Governor's Coordinating Council on Education Policy to provide a strategic planning point for Kentucky's education agencies.	na	na
FM05.02	Establish a centralized executive branch internal auditing program that reports to the Secretary of the Executive Cabinet.	na	na
GO10.03	Consolidate all Frankfort mail operations in a single location, with satellite collection/distribution locations at the Capital Plaza, Capitol Annex, State Office Building and Cabinet for Human Resources complex.	na	na
GO13.05	Eliminate excess layers of management and place more emphasis on direct service employees.	30.0	0.0
GO16.05	Direct executive branch agency heads to conduct a review of all boards, commissions and councils attached to their agency and recommend to the Governor boards and commissions for consolidation, elimination or disassociation.	na	na
GO16.06	The executive and legislative branches should establish a sunset procedure for future periodic review of all boards, commissions and councils.	na	na
GO16.07	The legislature should establish sunrise legislation, a before-the-fact review of the benefits of regulating a previously unregulated profession.	na	na
HS03.05	Conduct a thorough review of the Cabinet for Human Resources to determine the broadest span of control for each management position.	na	na

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		<i>Savings</i>	<i>Investment</i>
HS03.08	Eliminate layers of management and reallocate staff to direct service positions.	20.9	0.0
HS04.02	Establish a goal to consolidate 63 percent of the Cabinet for Human Resources' local offices within the next ten years.	0.4	0.0
	<b>Subtotal</b>	<b>52.1</b>	<b>0.0</b>

### CONNECT GOVERNMENT TO CUSTOMERS Generate a Competitive Spirit

GO03.06	The Governor should declare support for increased privatization of government services by establishing a Privatization Commission.	79.7	cbe
GO03.06	Require agencies seeking new program funding to review and report on privatization options for service delivery.	na	na
GO10.02	Consolidate all state mail processing operations under the proposed General Services Cabinet.	4.1	cbe
GO10.03	Request proposals and negotiate a single source discounted contract for overnight and package delivery services.	na	na
GO10.03	Request and compare private contractor bids to operate a consolidated state mailroom.	cbe	cbe
GO14.02	Consider contracting for a single firm to provide travel services to state government (see GO14.03).	cbe	cbe
GO20.02	Pursue a more aggressive approach to using private printing based on competitive pricing.	7.5	0.0
	<b>Subtotal</b>	<b>91.3</b>	<b>0.0</b>

### Provide Health and Human Services

HS02.04	Establish an Office of Quality Assurance within the Cabinet for Human Resources to develop, measure and manage all quality-related activities.	na	na
HS02.06	Implement a quality-of-service measurement system as part of strategic planning process for CHR.	cbe	2.5
HS02.07	Develop a quality statement and comprehensive plan for CHR.	na	na

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		<i>Savings</i>	<i>Investment</i>
HS02.09	Design and implement a computer-based information network for use within CHR.	cbe	na
HS06.03	Revise KRS 202A to prohibit the use of jails for detaining persons awaiting involuntary commitment hearings.	na	6.5
HS06.06	Develop and administer a regional plan to divert mentally ill individuals from jails to the appropriate psychiatric facilities.	na	na
HS07.03	Establish a single state Emergency Medical Services (EMS) lead agency.	na	na
HS07.05	Enact statutory protection for EMS quality assurance activities and require the lead agency to establish guidelines for a comprehensive evaluation program.	na	na
	<b>Subtotal</b>	0.0	9.0
<b>Ensure Public Safety</b>			
PS02.05	Adopt corrections philosophy of controlling crime and punishing offenders with rehabilitation as a secondary concern.	na	na
PS02.07	Establish a sentencing commission and presumptive guidelines.	cbe	cbe
PS02.08	Eliminate jury sentencing and the Parole Board.	na	na
PS02.19	Adopt the American Bar Association standard that an offender be sentenced to the least costly sanction available consistent with public safety.	na	na
PS02.20	Broaden the alternative sentences available to judges.	69.4	cbe
PS02.28	Establish statutory constraints on plea bargaining.	na	na
PS03.02	Any governmental unit spending in excess of \$5,000 annually for court reporter services should utilize a video recording system.	5.0	0.1
PS04.02	The supervision fee collected by the Division of Probation and Parole should be increased from \$10 to \$20	9.4	0.0
PS05.02	Develop specifications and standards for security services presently provided by the Division of Facilities Security and seek bids from private vendors.	2.4	0.0

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		<i>Savings</i>	<i>Investment</i>
PS06.01	Establish as an agency goal a ten percent reduction in prisoner transfers.	0.3	cbe
PS07.03	Review the conclusions made by the in-house assessment committee in order to ensure that Kentucky Correctional Industries is functioning in a professional and business-like manner.	3.5	0.0
PS07.03	Establish procedures in the Finance and Administration Cabinet that ensure that Kentucky Correctional Industries has the opportunity to provide needed goods and services to all state agencies.	na	na
PS07.03	Kentucky Correctional Industries should conduct a market analysis of FY93 like-category expenditures by state agencies.	na	cbe
PS08.02	Seek to maximize federal grant and entitlement funding for the Department of Corrections by assigning personnel within the department to actively pursue available funding.	7.5	0.0
PS09.03	Transfer the Division of Motor Vehicle Enforcement, Division of Water Patrol and Department of Parks law enforcement unit to the Justice Cabinet and expand their duties to supplement the duties of state police officers relative to traffic authority.	5.0	0.0
PS09.04	Require that state agencies procuring badges for their employees seek approval from the Secretary of the Justice Cabinet.	na	na
PS10.02	Phase out the Kentucky State Police posts at Harlan and LaGrange within the next ten years in conjunction with the installation of a new communication system.	1.2	0.0
PS10.02	Phase out the Madisonville post and transfer the administrative functions to posts in adjacent regions.	0.6	0.0
PS10.02	Establish goals to reduce state police field operations by a minimum of three posts.	1.5	0.0
PS11.02	Convert all 56 Commonwealth's Attorneys in Kentucky to full-time employees (disallow private practice) and give them responsibility for all felony prosecutions through District and Circuit Courts.	cbe	13.5
PS11.03	Transfer remaining prosecutorial duties from the County Attorney to the Commonwealth's Attorney along with state funding provided for the County Attorney.	8.5	0.0

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		<i>Savings</i>	<i>Investment</i>
PS12.02	Adopt the Kentucky State Police proposal for a computer controlled radio system.	na	na
	<b>Subtotal</b>	114.3	13.6
<b>Train Kentucky's Workforce</b>			
WF02.04	Develop a comprehensive training strategy to include all relevant state providers of vocational training and support.	na	na
WF02.06	Conduct a public sector quality audit of state operated workforce training programs.	34.6	0.0
WF02.06	Institute common performance measures for private and public providers of vocational training.	na	na
WF03.10	Strengthen and empower the Interagency Commission on Educational and Job Training Coordination to resolve credit transfer problems by expanding its mission, resources and composition.	cbe	0.8
WF04.07	Create a state-wide apprenticeship program by bringing business, labor and education leaders together to offer non-college-bound students valuable skills.	na	na
WF04.07	Enact a graduated tax credit for any Kentucky business which begins an apprenticeship program.	na	na
WF04.07	Make an apprenticeship skills assessment available for all current workers.	na	na
WF04.09	Transfer the Job Training Partnership Act from the Cabinet for Human Resources to the Workforce Development Cabinet.	na	na
WF04.09	Transfer the Department for Employment Services to the Cabinet for Workforce Development.	na	na
WF04.12	Transfer the Bluegrass State Skills program to the Cabinet for Workforce Development.	na	na
WF04.12	Explore the establishment of a workforce training trust fund and the use of vouchers to complement current uses of public education funds to be utilized by qualified/certified individuals and employers for vocational training.	na	na
WF04.13	Strengthen the GED, adult education and literacy delivery system.	na	na

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		<i>Savings</i>	<i>Investment</i>
WF04.14	Explore the use of the Kentucky Educational Television Star Channel capability for basic skills and apprenticeship-related competencies.	na	na
WF04.14	Include the 54 area Vocational Education Centers in KERA's Kentucky Educational Technology System.	na	na
	<b>Subtotal</b>	<b>34.6</b>	<b>0.8</b>

**INVEST IN OUR FUTURE**  
**Improve Governance of Information**

IT02.04	Transfer the responsibility for information technology strategic direction and leadership from the Department for Information Services (DIS) to the Kentucky Information Systems Commission (KISC).	na	na
IT02.07	Transfer the Division of Telecommunications to the Department for Facilities Management with DIS.	na	na
IT02.09	Create a separate information support organization for all agencies making significant use of information of technology.	cbe	cbe
IT02.10	Appropriate funds to KISC to provide for research activities.	cbe	1.2
IT03.04	Redefine the information resource planning process from operational planning (short-term budget oriented) to strategic planning (long-term).	na	na
IT03.07	Create and implement an information resource planning process that will require identifiable performance measurements and program evaluation assessments as an integral part of each agency's technology plan.	na	na
IT03.07	KISC should establish outcome measures or critical success factors and develop program indicators for major state programs.	na	na
IT03.08	KISC should encourage agencies to use benchmarking to ensure that systems design and software support are meeting desired performance criteria.	na	na
IT03.08	KISC should establish formal "off-year" evaluation reviews.	na	na
IT03.08	KISC should create specific incentives for agencies to fund research and development.	na	na

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		<i>Savings</i>	<i>Investment</i>
IT03.09	KISC and DIS should implement the concepts of a data administration and enterprise data modeling.	na	na
IT03.10	KISC should issue formal policy emphasizing information sharing in planning and designing new information systems.	na	na
IT03.11	KISC should modify the information resource planning process at the agency level to promote active upper management participation.	na	na
IT03.11	Agencies should create a business analysts position to relate agency goals and objectives to specific technology needs.	na	na
IT03.11	Establish agency strategic technology planning teams.	na	na
	<b>Subtotal</b>	0.0	1.2
<b>Information Sharing and Access</b>			
IT05.02	KISC should continue to implement effective standards and procedures to ensure compatibility between agencies' networks and equipment.	na	na
IT05.05	KISC should aggressively investigate the potential uses of document imaging technology and encourage its use if successful.	na	na
IT05.05	KISC should sponsor a study of "electronic data interchange" by requesting that DIS, the Division of Purchases, and other appropriate agencies begin a pilot project testing the feasibility of this technology.	na	na
IT05.06	KISC and DIS should investigate the inclusion of workflow automation capability in the state's information architecture.	na	na
IT05.07	At the direction of KISC, DIS should develop and implement a shared Data Repository or Data Locator to allow employees and citizens to determine what information is available.	0.2	0.0
IT05. 10	KISC should require agencies to develop strategic plans for improving the penetration of new technology into field offices.	na	na
IT05.10	DIS should ensure that the state's network provide dial-up access as one of its fundamental services to provide easy access for employees, such as field auditors, who may be using portable computers.	na	na

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		<i>Savings</i>	<i>Investment</i>
IT05.13	Cancel the PILOT Executive Information System project to free resources which can be better used elsewhere.	na	na
IT05.13	KISC should develop and issue formal procedures for sharing information between state agencies.	na	na
IT05.14	Initiate a pilot project to utilize electronic mail and electronic calendaring between staff members, cabinet secretaries and other state government executives.	na	na
IT05.15	Reassess the state's videotext information delivery system and either publicize more aggressively or replace with a microcomputer server providing similar functionality.	na	na
IT05.15	Designate the Department of Libraries and Archives as the official point of access into state government information by private citizens.	0.4	0.0
IT05.16	KISC should monitor Tourism's electronic kiosk project and encourage additional projects to place general purpose information kiosks in public places.	na	na
	<b>Subtotal</b>	<b>0.6</b>	<b>0.0</b>
<b>Integrate Communication Networks</b>			
IT04.09	Continue development of the ICBN and add the intra-state long distance voice traffic to it.	na	na
IT04.11	Consolidate network management and operation into one unit.	0.3	0.0
	<b>Subtotal</b>	<b>0.3</b>	<b>0.0</b>
	<b>TOTAL</b>	<b>\$1047.1</b>	<b>\$141.2</b>

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# SUMMARY MINORITY RESPONSE

## TO THE REPORT OF THE COMMISSION ON QUALITY AND EFFICIENCY

Issued by  
Morgan Bayless

Any effort to create a more efficient and quality-conscious enterprise must center upon recognition and appreciation of the dignity, rights and abilities of the workforce. Likewise, the work of this Commission must endow employees with a true sense of job ownership to adequately address its mission.

Some central Commission recommendations threaten the integrity of the workforce and raise doubts as to the objectives of the work of this panel. All items in dispute herein center upon personnel.

### **Personnel**

The merit system in 1993 is dysfunctional. However, eliminating the existing system, carte blanche, would give rise to the potential for exploitation and abuse of powers and the workforce itself.

The existing system provides inadequate means to fully protect employees from political influence and provide contemporary personnel management. While change is difficult to achieve through legislative means, it is not impossible.

### **Mission and role**

The mission and role of the Department of Personnel should be clarified and updated to reflect the needs of state government and its service delivery. Ongoing personnel and management training is essential as is upgrading of existing service and delivery systems and equipment.

### **The merit system**

Collective bargaining is the most viable, efficient and comprehensive alternative to the existing merit system. Negotiated agreements, likewise, offer the most functional option to personnel regulations.

Any alternative career service system must restore political freedom to state employees and contain a statement of ethics forbidding political interference or influence in personnel matters with legal consequences for violations. Enactment of collective bargaining legislation remains a highly effective means to address all matters of personnel management, conditions of work, work rules, compensation, benefits and conflict resolution.

### **Staffing**

Hiring freezes, attrition and job re-engineering are viable alternatives to layoffs and mass job elimination. Any "re-engineered" positions which impose increased workloads, responsibilities, authority or oversight of staff should include automatic salary increases. Savings from such workforce reduction plans should be earmarked for wage increases.

Management (non-merit) positions have grown to unmanageable proportions. A rational, objective review should be conducted to determine the necessity, degree of

waste and cost advantages of these politically appointed positions.

Criteria used to identify "critical" positions currently do not adequately reflect employee performance, productivity and job impact on timely and accurate service delivery. Limiting reinstated jobs to current state employees as an alternative to layoffs is preferable. Non-merit jobs must be included among the reinstated positions made available to the existing workforce.

Non-voluntary staff relocations should be a last-resort measure after full exploration of voluntary transfers/relocations with retraining guarantees, salary upgrades and credit given on evaluations.

### **Organization structure**

Establishing a Cabinet for Personnel Management could enhance recruitment, hiring, training and monitoring efforts, help assure more uniform personnel policies across all agencies and generally enhance fairness and equitable treatment of state employees. All existing personnel systems should be merged and placed under the direction of the Personnel Cabinet.

Additional emphasis on management training and employee skills and education enhancement are positive goals. Emphasis on empowering employees and creation of a fair, thorough and unrestricted dispute resolution system should be among the goals of the new Cabinet-status personnel agency.

### **Retirement program administration**

Plans for mergers and/or exclusions with regard to administration and membership in retirement funds could conceivably lead to complications, reductions in jobs or negative impact on retiree benefits. Specifically, the teachers' retirement system should remain a separate entity with separate administration and funding mechanisms.

Further, manpower reduction will have a critical impact upon retirement fund contribution levels. We must not neglect or renege on our promise to retirees by allowing retirement funding, administration, mergers or others maneuvers in the name of efficiency and cost savings to reduce retiree benefits.

### **Early retirement incentive service credit**

Purchase cost is a disincentive. Savings sufficient to grant service credit and still save money by hiring new employees at entry-level wages.

### **Privatization**

Privatization produces short-term savings to the Commonwealth, but usually leads to long-term cost increases. Once privatization becomes routine, the situation is difficult and costly to reverse.



# SUMMARY MINORITY RESPONSE

## TO THE RECOMMENDATION ON RESTRICTED AGENCY FUNDS

Issued by  
Tom Bennett

Pursuant to the recent findings and recommendations of the "Governor's Commission on Quality and Efficiency," I feel compelled to go on record as objecting to the general recommendation that restricted agency funds should cease and become resources available for use by the General Fund.

First and foremost, Federal Regulation (50 CFR Part 80.4) titled "Diversion of License Fees" requires that revenues from license fees paid by sportsmen shall not be diverted to purposes other than administration of state fish and wildlife agencies. 50 CFR Part 80.4 sec c., further establishes that a diversion of license fee revenue occurs when any portion of license revenues is used for any purpose other than the administration of the state fish and wildlife agency. And, when a diversion has occurred the state becomes ineligible to participate in the Federal Aid in Fish and Federal Aid in Wildlife Restoration Acts and is prevented from receiving federal funds authorized by these acts until the diversion is appropriately reversed to the satisfaction of the Federal Aid Regional Director.

Secondly, Chapter 150 of the Kentucky Revised Statutes, particularly KRS 150.150, sec. (1), establishes "all monies derived from the sale of licenses or from any other source connected with the administration of this chapter shall be promptly paid over to the State Treasurer, who shall deposit such monies in a special fund, known as the fish and game fund. The game and fish fund shall be used to carry out the purposes of this chapter and any law or regulation for the protection of wildlife and for no other purpose."

Thus, federal regulation and state law is very clear as to the intent to maintain the fish and game fund in a restricted agency fund status.

Our restricted agency funds are still required to be appropriated by the General Assembly for expenditure. This process does bring about the direct involvement and control of the executive and legislative branches in the recommending and authorizing expenditures from the fish and game fund.

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